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A Shrinking Middle Class?

Marvin H. Kosters & Murray N. Ross

Economic and Material Poverty in the U.S. — *Nick Eberstadt*

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The Teenage Marriage Controversy — *Frank F. Furstenberg, Jr./ Maris A. Vinovskis & P. Lindsay Chase-Lansdale*

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Why the Current Wave of School Reform Will Fail

John E. Chubb

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A shrinking middle class?

MARVIN H. KOSTERS & MURRAY N. ROSS

THE U.S. ECONOMY has generated employment growth during the 1980s—indeed, during the past two decades—that is the envy of Western Europe. This impressive record of job creation, however, has been called into question by critics who fear that the quality of jobs has been deteriorating. Workers are said to be getting mainly low-paying jobs with little opportunity for advancement; "good jobs" that pay middle-class wages are said to be disappearing.

This new view of what has been happening to jobs and earnings in America has been nurtured by articles with provocative titles like "The Shrinking Middle Class," "An Ominous Trend to Greater Inequality," "The Disappearing Middle Class," "A Low-Wage Explosion," "The Grim Truth about the Job Miracle," "A Surge in Inequality," and "American Job Machine has Begun to Sputter." Although this view of labor-market trends has been so widely popularized in the media that it is rapidly approaching the status of conventional wisdom, it is based on very limited research. Moreover, a reexamination of the data shows that the analysis on which this new view rests is seriously flawed. Consequently, it paints a grossly distorted view of what is happening to work and jobs.

To understand why this view of jobs and wages has gained such wide popular acceptance, we will first consider the economic setting that has given it superficial plausibility. Then we will examine

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the evidence on wage, employment, and earnings trends to place in perspective what has been happening to the quality of jobs for the workforce as a whole.

The intuitive appeal of the "low-wage jobs" view

Several trends that were readily apparent in the early 1980s lent credence to the view that something fundamentally disturbing was happening to industry and jobs. Recession, deregulation, introduction of new technology, and appreciation of the dollar forced many large firms to make dramatic labor adjustments. The average size of wage increases came down sharply, wage increases previously negotiated by unions were cut back, and in some cases wages were significantly reduced. In addition, indefinite layoffs of large numbers of workers and permanent job losses resulting from plant closures focused attention on "displaced workers," many of whom were unable to find jobs that paid wages comparable to those of their previous jobs.

These temporary and cyclical developments reinforced a long-term trend toward a larger share of employment in services, compared with "goods-producing" industries such as manufacturing. The perception that the U.S. economy was "deindustrializing" was augmented by the concern that "good jobs" were disappearing and being replaced by low-wage service jobs. These trends were portrayed as producing (1) stagnating or declining real wages; (2) disproportionate growth in low-wage jobs; and (3) a decline in jobs that pay middle-class wages.

This interpretation of events in the labor market is superficially appealing in view of broad trends in the economy. Both the lower average wages in services and the large shift in the industry-employment mix toward services lend credence to this explanation. Wages *are* considerably lower in the service sector. Wages for service workers (as measured by average hourly earnings for production workers) are about 83 percent of manufacturing wages. Thus, replacement of an average job in manufacturing with an average job in services would tend to reduce overall average wages.

The growth in services employment has also been dramatic when compared with manufacturing employment. During the past two decades, manufacturing has usually employed between eighteen and twenty million workers. During that same twenty-year period, however, total civilian employment went up from 74 to 112 million workers—an increase of more than 50 percent. This produced a pronounced decline in the manufacturing employment

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share, a decline that is particularly remarkable in view of the roughly constant share of total output of the economy accounted for by real output in manufacturing.

The well-known shift to services has not only been presumed to have had adverse effects on the average wage level; it has also been portrayed as the source of increased wage inequality. Service jobs have frequently been described as sharply divided between those paying very low wages and those held by highly-paid professionals. Janitors or fast-food employees "flipping hamburgers" are usually mentioned as examples of typical low-wage employees while accountants, brokers, doctors, and lawyers exemplify those who hold high-wage service jobs. The implication is that as service employment comes to account for a larger fraction of jobs, the middle class is disappearing, or at least suffering serious erosion. McKinley Blackburn and David Bloom, for example, conclude a study by saying that "the country has moved in the direction of 'haves' and 'have nots' with less in between." A recent *U.S. News and World Report* article quotes University of Maryland economist Frank Levy as saying that all the evidence "points to growing economic inequality."

The claim that the middle class is disappearing is usually accompanied by the proposition that most who are displaced from the middle end up among the poor rather than the rich. The subtitle of the widely-publicized study prepared for the Joint Economic Committee by Barry Bluestone and Bennett Harrison is "The Proliferation of Low-Wage Employment in the U.S. Economy." After making reference to the "popular perception that America may be on the verge of losing its middle class," they conclude that "our results confirm an unmistakable trend in this direction for individual working people."

The policy appeal of the "low-wage jobs" view

Bad news about the economy remains a more potent attention-getter than headlines describing a stable or slightly improved employment situation. Puncturing the "myth" of the "American job machine," a matter affecting the livelihood of America's workers, also possesses substantial political appeal. A hint that this did not go unnoticed by the authors of the JEC study is contained in the concluding sentence of their report: "It would seem that a serious political debate over how this unsettling development might be reversed should be on the agenda of the next Congress."

In a newspaper column on this subject five months later, the authors are more explicit:

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> The current debates in Congress involving trade policy, minimum wage legislation, restrictions on plant closings, labor law reform, highway construction and other measures to improve the job opportunities of those at the bottom of the labor market ladder reflect a concern with the downside of the recent explosion in American employment. It is our belief that the statistics on wages strongly suggest that the American Job Machine is not working effectively and that for this reason, innovations in economic policy cry out for a decent hearing.

This new view of labor-market developments, in short, has been used to make a case for a policy agenda. The list of prescriptions includes:

—protectionist trade policies to maintain or increase manufacturing employment;

—strategies to shape industry structure, foster "basic" industries, and improve "competitiveness";

—plant-closing legislation to maintain high-wage jobs and to prevent or cushion worker displacement;

—increasing the federal minimum wage to discourage creation of low-wage jobs;

—increased funding for federal job-training programs to improve workers' skills;

—increased spending on income support and "safety net" programs to improve living standards of families with low earnings;

—limiting tax reform so as to retain higher tax rates for high-income taxpayers.

Organized labor is the most politically effective interest group supporting the policy agenda suggested by presumed adverse labor market trends. Indeed, economic circumstances in the early 1980s severely threatened its economic and political power. Increased competition for products and services resulting from the rise in the dollar, the trade deficit, and deregulation greatly weakened the ability of unions to secure wage gains and to maintain employment levels. Significant reductions in employment, particularly in manufacturing, and competition from non-union firms reduced union membership in the private sector to about 14 percent, from almost 20 percent as recently as the late 1970s.

Union leadership felt the political heat of these developments from the rank and file, as employment cutbacks heightened the sense of vulnerability of those who kept their jobs. Workers displaced from the high-wage unionized steel and auto industries, for example, obtained new jobs that paid significantly less than their previous earnings. Analysis seeming to point to adverse trends in the labor market fell on receptive ears in the councils of organized

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labor: the AFL-CIO published a pamphlet in 1986 entitled "The Polarization of America: The Loss of Good Jobs, Falling Incomes and Rising Inequality."

The evidence on real hourly pay

It is not difficult to understand why the perception that real wages have been declining is widespread. *Some* measures of wages and earnings do show a decline from levels that were reached years earlier. But various measures are available, and the question is which is most appropriate as a measure of how the typical worker has fared.

Four measures frequently discussed in connection with real wage trends are shown in Table I. The most readily apparent pattern in these data is the sharply lower trend for each measure since 1972 compared with those for the preceding twenty years. A second feature is that there are big differences in what these measures show. The difference in recent trends, almost two-and-a-half percentage points between the biggest increase and biggest decline since 1972, is much larger than it was previously.

Because differences in their recent trends are so large, it is important to consider what is measured by these different data series. Neither of the first two measures—earnings per week and income per capita—is a measure of pay per unit of work. Average weekly earnings show a big decline in recent years, for example, partly as a result of shorter average working hours. Income per capita, in contrast, shows a larger increase than the other measures partly because of a rise in the fraction of the population that is employed. Both measures, in other words, are strongly affected by how much peo-

Table I. Alternative Measures of Real Earnings, Incomes, and Hourly Pay, 1952-1986[a]

Earnings Measure	*Average Annual Change*[b] *(In percentage)* 1952-1972	1972-1986
Earnings Per Week	1.94	−0.74
Income Per Capita	2.82	1.70
Hourly Wages	2.33	−0.30
Hourly Compensation	2.83	0.70

[a] *Source*: Author's calculations from Bureau of Labor Statistics and Bureau of Economic Analysis data.

[b] Changes in each series are expressed as compound average annual percentage rates. Adjustment for inflation is made by the Consumer Price Index (CPI), adjusted to treat the costs of homeownership consistently over time.

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ple choose to work. Both measures are useful for particular purposes, but neither is suitable as a measure of how workers are faring in terms of the pay they receive per hour of work.

The two other measures shown in Table I are both measures of pay per hour of work. Hourly wages are only a partial measure of pay, however, and they reflect the wages of a smaller fraction of the work force—production and nonsupervisory workers. Hourly wages are only a partial measure of pay because they do not include nonwage benefits, which have accounted for an increasingly large fraction of hourly pay in recent years. In addition to wages, hourly compensation includes private benefits (such as health plans and private pensions) and public benefits (such as employer contributions for social security, workers' compensation, and the like). These supplements to wages increased from about 12 percent of total compensation in 1972 to 17 percent in 1985. Hourly compensation is therefore the more comprehensive measure of pay per hour of work, and is more appropriate as a measure of what the employer pays per hour of work and what the employee receives.

How inflation is taken into account has also been very important in recent years. All of the data in Table I have been adjusted for inflation by using a common price index—an adjusted Consumer Price Index (CPI). The adjustment that was made takes into account a change in the way owner-occupied housing costs are measured in the CPI. This change, introduced at the beginning of 1983, is of considerable importance: real earnings per week as conventionally reported using the CPI, for example, would show an average annual decline of 1.16 percent since 1972 instead of the .74 percent shown in the table.

Prior to 1983, the owner-occupied housing component of the CPI was strongly affected by mortgage interest-rate changes. Consequently, when interest rates for short-term treasury bills soared from 5 percent in 1976 to 14 percent in 1981 (with the prime rate rising above 20 percent), the resulting increase in mortgage interest rates produced a very sharp rise in the CPI, even though only a small fraction of houses were financed at those high rates. Most of the subsequent decline in interest rates—treasury-bill rates fell from nearly 11 percent in 1982 to about 6 percent in 1986—was not translated into a decline in the housing component of the CPI, however, because a rental-equivalence measure for owner-occupied housing was adopted in 1983. This definitional change left the CPI permanently above the level at which it would have been if either measure of housing costs had been used consistently throughout the past decade.

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There is a strong analytical case for taking this inflationary distortion of the CPI into account in analysis intended to measure how ordinary citizens have fared in terms of the real goods and services their earnings buy. Fortunately, the Bureau of Labor Statistics has developed data that permit adjustment for inflation using a definition of owner-occupied housing costs that is consistent over time with the current definition. We use this adjusted CPI to take inflation into account and obtain measures of real wages and compensation.

As shown in Figure I, real average hourly wages have declined since their peak in 1972 and 1973. Real hourly compensation—the preferred measure of real hourly pay—has increased somewhat, however, because of the increase in non-wage components of hourly pay. This rise in the non-wage share of compensation reflects in part larger real non-wage benefits and in part a rise in the relative costs of these benefits compared with consumption items as a whole. Real hourly compensation has increased by seven-tenths of one percent per year since 1972, but because workers have taken so much of this increase in the form of non-wage benefits, real average hourly wages have declined.

The slowdown in real hourly pay growth

As noted earlier, the feature that stands out clearly in all of the data on workers' pay is the pronounced slowdown in real growth in recent years compared with that of the 1950s and 1960s. This slowdown in real wage and compensation growth is, of course, the counterpart of the widely recognized slowdown in productivity growth. The consequence has been that although workers are still becoming better off, they aren't advancing nearly so rapidly as they were before.

The causes of the slowdown in productivity growth that began in the late 1960s or early 1970s are not well understood by economists. Some observers argue, however, that the slowdown in real wage growth is largely attributable to the shift in employment toward services. Although this idea has considerable intuitive appeal, it is not borne out by the data.

Careful analysis of the shifts in employment shares among industries confirms that employment shares in the service-producing industries have increased markedly compared with those in manufacturing and other goods-producing industries. It also confirms that average wages tend to be lower in industries with growing employment shares than in those with shrinking shares. Nevertheless, the

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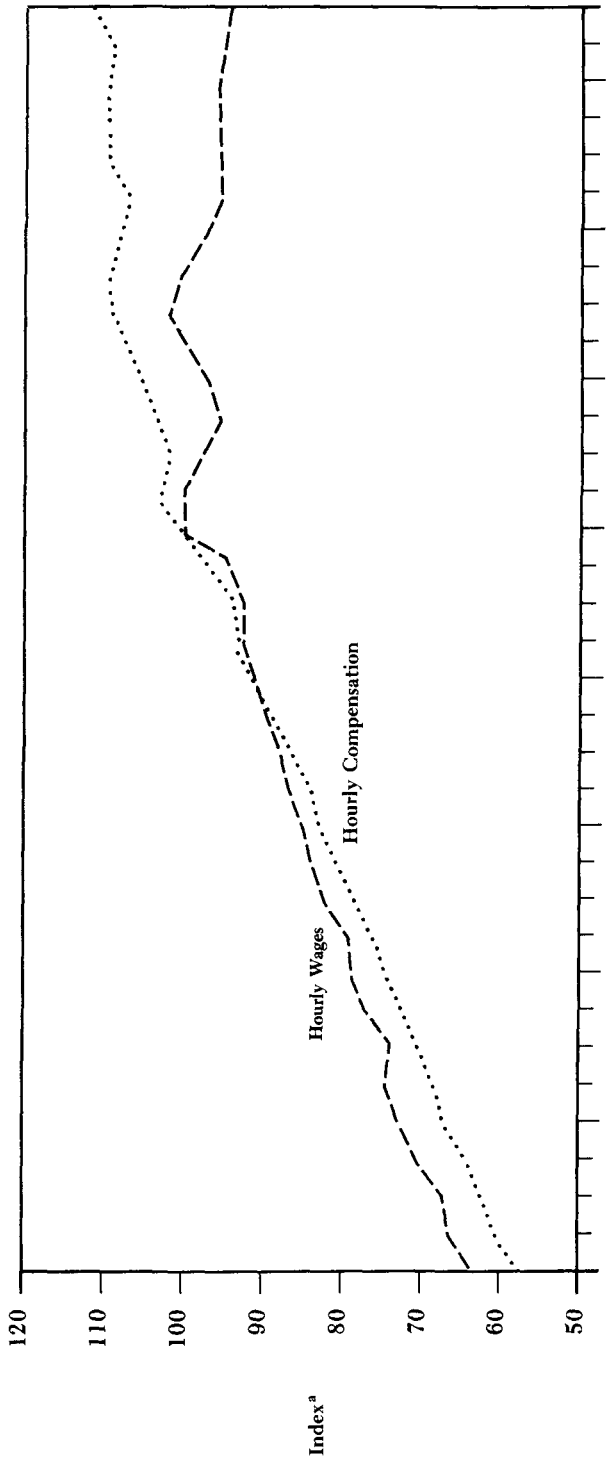
Figure I: Real Hourly Wages and Compensation



[a] 1972 = 100.

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shift of employment toward services can account for only a small fraction of the slowdown in real wage growth.

Analysis of the relation between average wages and employment-share changes among industries from 1964 to 1985 shows that only very small effects can be attributed to shifting employment shares. In addition, the shift to services has been occurring throughout the past forty years; it did not begin or accelerate significantly in the late 1960s or early 1970s. In summary, it is fair to say that the shift to services has had a negligible impact on overall real average hourly wage growth.

Evidence from the distribution of earnings

The new view—namely, that the quality of jobs has been deteriorating markedly—has not been based mainly on analysis of trends in average hourly pay or of the consequences of the continuing shift toward employment in services. The primary support for this view has come from data on changes in the distribution of employment among broad earnings categories. The study written for the Joint Economic Committee (JEC) by Barry Bluestone and Bennett Harrison (to which we have already referred), which was released on December 9, 1986, has provided the basis for much of the subsequent popular discussion.

This JEC study, entitled *The Great American Job Machine: The Proliferation of Low-Wage Employment in the U.S. Economy*, is based on earnings of wage and salary workers—*not* hourly rates of pay. The importance of this distinction is discussed below in a section on workers with low earnings. In view of the wide publicity it has received and the journalistic commentary it has generated, we think it would be useful to reexamine the data employed in the JEC study in order to facilitate comparison of our results with the results reported there.

The main elements of the approach used in the JEC study and its central conclusions can be described quite simply. The median wage and salary income of all wage and salary workers in 1973 was calculated, and three earnings categories were defined based on cutoffs at 50 percent and 200 percent of the median. These cutoffs were adjusted using the CPI to permit comparison with earnings data for 1979 and 1984.

The main results of the JEC study for all workers are shown here in Table II. The central conclusion of the study is that the share of employment in the low-wage and -salary earnings stratum increased disproportionately between 1979 and 1984, compared with its change

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Table II. Results of the JEC Study for All U.S. Workers[a]

	Earnings Shares[b] (In percentage)			*Shares of Net New Employment (In percentage)*	
	1973	1979	1984	1973-79	1979-84
Low Stratum	31.8	30.4	32.4	19.9	58.0
Middle Stratum	51.6	53.1	52.7	64.2	47.5
High Stratum	16.6	16.5	14.9	15.9	-5.5
Total	100.0	100.0	100.0	100.0	100.0

[a] *Source*: Barry Bluestone and Bennett Harrison, *The Great American Job Machine: The Proliferation of Low-Wage Employment in the U.S. Economy*, a study prepared for the Joint Economic Committee (JEC), December 1986, Table 2, p. 17.

[b] Earnings categories are defined on the basis of 1973 median earnings, adjusted by the CPI. The current dollar cutoffs used as "wage" stratification standards were as follows:

	Low Cutoff	*High Cutoff*
1973	$3,000	$12,000
1979	4,900	19,600
1984	7,012	28,048

between 1973 and 1979. According to the authors, "*nearly three fifths of the net new employment generated between 1979 and 1984 was low wage, compared with less than one fifth during the preceding period*" (italics in the original).

In addition to data for all workers, comparisons using a similar framework were presented for components of the work force by age, race, sex, work experience, years of schooling, industry, and region. The results for most of these categories were qualitatively similar, leading the authors to conclude that there has been a pronounced rise in the share of workers in the low stratum, as it is defined in the JEC study.

Reexamining the data

Our reexamination of the underlying data points to conclusions that are radically different from those of the JEC study. Our appendix discusses the rationale for the method that we have used and the reasons for our very different results; here we want only to consider briefly how our results differ. The data on shares of net employment reported in the JEC study (Table II) are compared with the results from our analysis in Figure II.

It is evident from comparison of the top panel of Figure II (the JEC study) with the bottom panel (our study) that shares of net additions to employment between 1973 and 1979 are roughly similar for each earnings category. The big difference is in the shares of net additions to employment between the JEC study (for 1979 to 1984) and our study (for 1979 to 1985).

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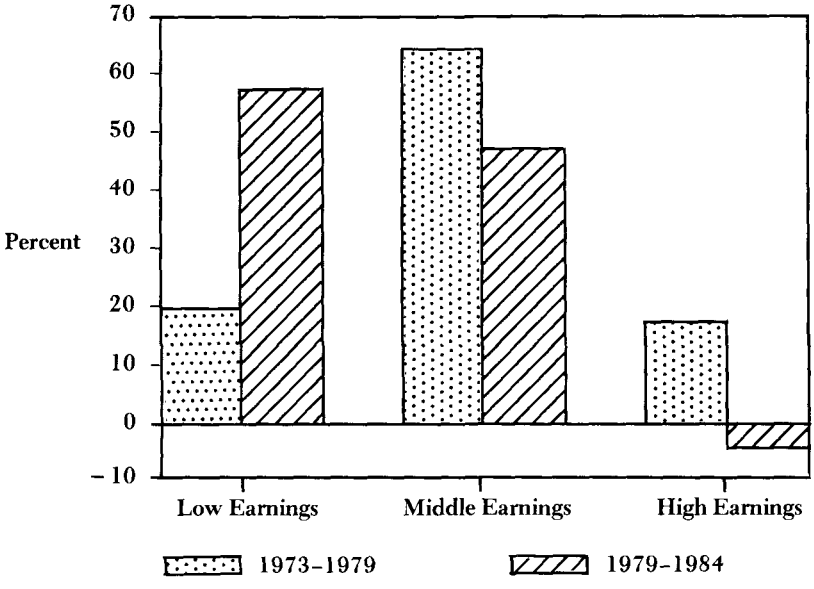
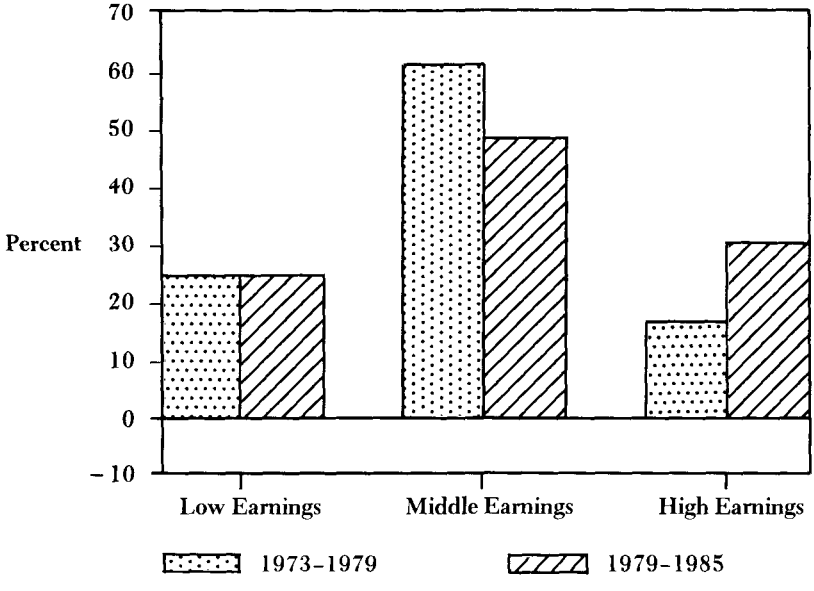
Figure II: Comparison of Shares of Net Additions to Employment by Earnings Category[a]

A. Earnings Categories as Defined in the JEC Study



B. Constant-Dollar Earnings Categories as Defined in the Authors' Study



[a] *Sources*: Chart A, Bluestone and Harrison, Table 2 (reproduced as Table II in this study); Chart B, panel 6 of Table V below.

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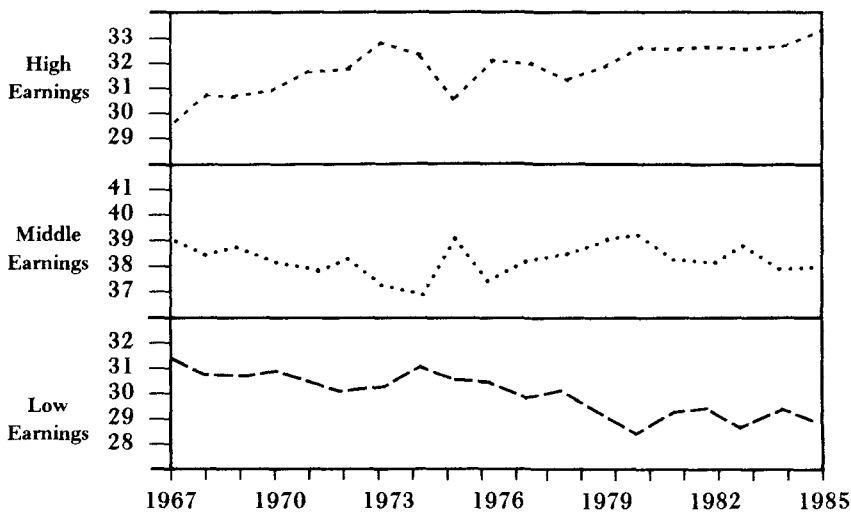
In contrast to the central conclusion of the JEC study, our analysis shows no increase in the share of "new jobs" with low earnings. Indeed, the share of net additions to employment for each subperiod (about 24 percent) is well below the share of overall employment in the low-earnings category (about 30 percent), confirming a continuing trend toward a *smaller* share of employment in the lower part of the earnings distribution.

Results for subperiods are clearly sensitive to the particular years chosen for comparison. It is instructive, therefore, to look at trends shown by annual data on employment shares as well. Employment shares from 1967 through 1985 for low-, middle-, and high-earnings categories are shown in Figure III. For this analysis we have defined the high-earnings category as more than 150 percent of median earnings (instead of 200 percent), to obtain more nearly comparable shares in the high- and low-earnings categories, and thus to reduce sensitivity of the results to small changes in the tail of the distribution. We have also defined cutoffs relative to current-year median earnings, which avoids the need to make any adjustment for inflation, and thus eliminates any possible controversy about the most appropriate price index for taking inflation into account. *According to these data the share of employment in the low-earnings category has declined over time, that in the high-earnings category has in-*

Figure III: Employment Shares by Earnings Category, Based on Current-Year Medians, 1967–1985 (In percentage)[a]



[a] *Source*: Authors' calculations from March Current Population Survey microdata files.

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creased, and it is difficult to see any trend up or down in the middle-earnings category. Although there is some indication that the declining share of employment at the low end of the earnings distribution may have stabilized during the 1980s, there is certainly no evidence that it has increased.

These annual data on employment shares clearly show that the differences in results presented in Figure II are not simply a result of updating the analysis to 1985. The results of our analysis are broadly consistent with the trends shown by the annual data, while the results of the JEC study are not.

In contrast to the JEC study, our analysis shows neither a disproportionate nor a growing share of new jobs in the low-earnings category. The relatively low share of net additional employment in the low-earnings category means that the overall share of workers with low earnings has declined gradually over the years. The share of employment at the high end of the distribution has increased by an amount roughly equal to the decline in the share at the low end. Although the share of employment in the middle-earnings range has varied from year to year, and has indeed declined since 1980, there is no evidence that the long-term trend is down. It is particularly hard to argue that the small decline in the share of employment accounted for by workers in the middle-earnings category since 1980 portends a decline in economic well-being, with workers slipping below middle-class status, because the small decline in the middle is more than offset by the increase in the share at the top.

Who are the "low-wage" workers?

It is important to distinguish between the distribution of *earnings* of all wage and salary workers and the distribution of *wages*. These two quite different concepts have frequently been confused in public discussion. Indeed, the subtitle of the JEC study speaks of a "proliferation of low-wage employment," and its authors, although obviously aware of the distinction, tend to use the two terms as if they were interchangeable. Annual earnings—or more precisely, wage and salary earnings during a particular year—should be sharply distinguished from a wage rate, because earnings are frequently low for reasons other than low wages.

The underlying sources of the difference between annual earnings and hourly rates of pay are differences in hours and weeks of work. Earnings of year-round, full-time workers are a measure that is significantly closer to a wage-rate concept than are earnings of all workers, because part-year and part-time workers are excluded from this earnings measure. The two distributions differ markedly in

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their shape as well as in average earnings levels, as illustrated in Figure IV. Even the earnings of year-round, full-time workers fall considerably short of a measure of actual rates of pay, because they reflect some variation in weeks of work per year, and probably substantially more variation in weekly hours of work.

Some part-year and part-time work is not the direct result of workers' choices. For example, some part-time workers would prefer full-time work, and some part-year work is attributable to unemployment. However, part-year work also reflects entry or reentry into the labor force during the year, as well as retirement, and seasonal work by students and others. Part-time work is also most often voluntary and the preferred choice of students attending school, women with family responsibilities, and older workers. Low earnings that result from worker choices reflect a highly desirable variation in job opportunities structured to suit the needs and interests of workers and their employers. It is, consequently, extremely important to distinguish between workers with low earnings in a particular calendar year and those with low-wage jobs.

The importance of this distinction is illustrated by the data in Table III, which provide information on workers with low earnings during 1985. These data underscore the important point that *low-earnings status is predominantly the result of low working hours, not low wages.* Only 7.5 percent of all workers earning half the median or less worked year-round and full-time—that is, for fifty to fifty-two weeks, with thirty-five or more weekly hours. Of the remaining 92.5 percent, 76.1 are accounted for by part-year workers.

Something else is clear from these data: *young workers who have not yet finished high school account for a major share of workers with low earnings.* This is, of course, a group that is also likely to be working at relatively low hourly wage rates. Year-round, full-time workers who are between the ages of twenty-five and sixty-four and who have more than twelve years of schooling are extremely unlikely to have low annual earnings: they account for only slightly more than 1 percent of workers in the low-earnings category.

Changes in the proportion of all wage and salary workers with low earnings should be interpreted with care. First, and most importantly, workers with low earnings are not always employed in jobs paying low wages. Second, low annual earnings resulting from low annual working hours are closely associated with patterns such as school attendance and age of the work force. Increases in the share of workers with low earnings that are the consequence of worker choices and demographic changes should, therefore, be viewed as making a positive contribution to the overall quality of

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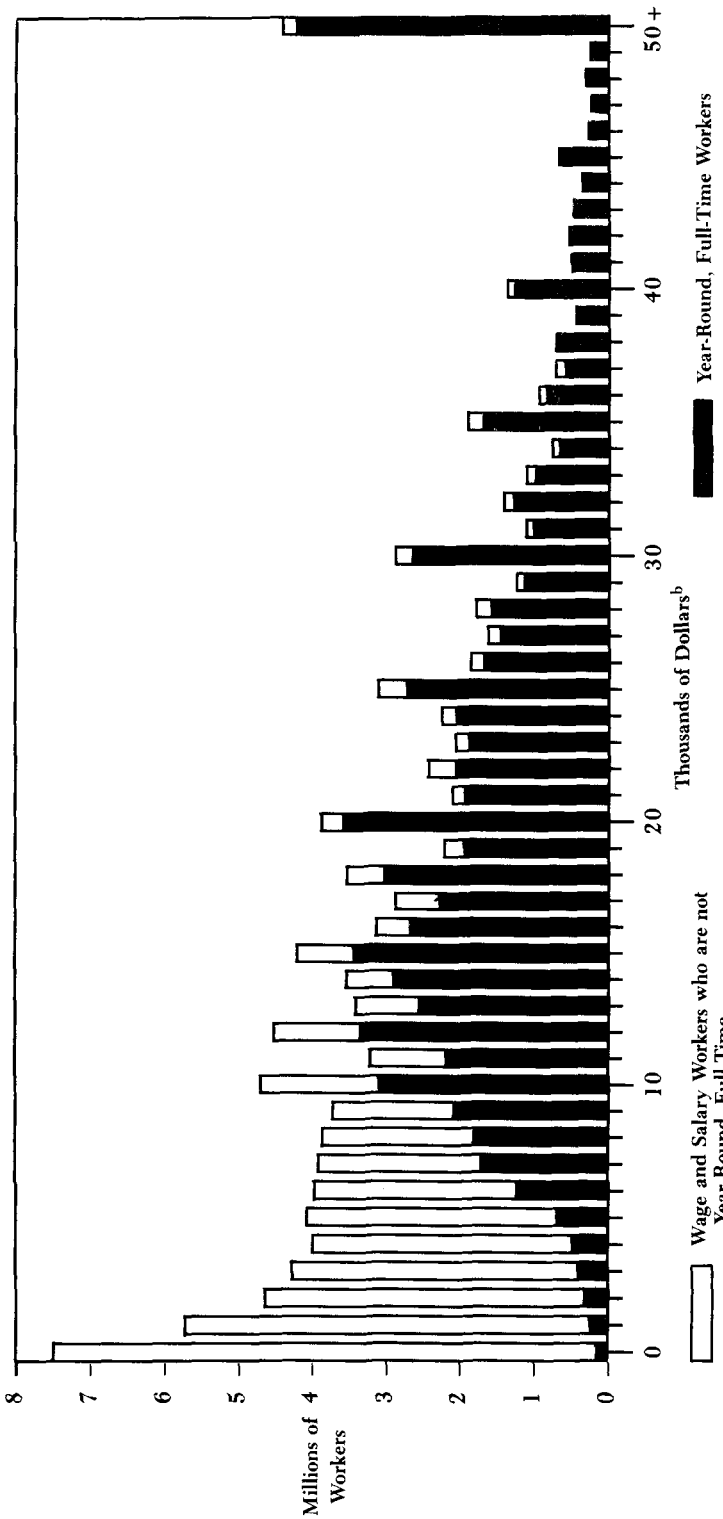
Figure IV: Distribution of Employment by Earnings Levels for All Wage and Salary Workers and for Year-Round, Full-Time Workers, 1985[a]



[a] *Source*: Tabulations from March Current Population Survey microdata files.
[b] Figures indicate the lower bound of the interval.

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Table III. Workers with Low Earnings in 1985 (In percentage)[a]

By yearly and weekly work schedules:	
Year-round, full-time	7.5
Year-round, part-time	16.4
Part-year, full-time	33.6
Part-year, part-time	42.5
Total	100.0
By years of schooling:	
0 to 12 years	71.3
13 to 16 years	26.1
17 or more years	2.6
Total	100.0
By age category:	
16 to 19 years old	24.0
20 to 24 years old	23.2
25 to 64 years old	47.1
65 years or older	5.7
Total	100.0
By combinations of characteristics:	
Year-round, full-time *and*	
20 years old and older	6.7
25 to 64 years old	4.5
More than 12 years of schooling	1.8
25 to 64 years old and more than 12 years of schooling	1.1

[a] This category consists of workers who earn 50 percent or less of median earnings for all wage and salary workers. (Workers with low earnings accounted for 28.9 percent of all wage and salary workers in 1985.)

jobs—not as a deterioration in job quality. The issues, in other words, are not only technical questions concerning what should be measured, how, and for whom; the question of how any particular results should be interpreted is often of equal, or even greater, importance.

Employment shares for components of the work force

In our discussion thus far, we have focused only on the distribution of employment by earnings categories for all wage and salary workers. Despite, or perhaps because of, disparate changes for subgroups of workers, the earnings distribution for all workers has been remarkably stable over the past twenty years. There have, however, been important changes both in the level of medians and in shapes of distributions for major subgroups of workers.

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We can show this best by using earnings cutoffs relative to current-year medians, instead of the constant-dollar method that we used for direct comparison with the JEC study. Using current-year median earnings for each subgroup also enables us to measure changes in the shape of distributions that do not reflect changes in their position.

We learn from this approach that employment shares by earnings categories for all wage and salary workers have been quite stable over the past twenty years; this is not the case, however, for all subgroups within the overall distribution. Of all wage and salary workers, three subgroups are particularly important in explaining what is happening: all year-round, full-time workers; male year-round, full-time workers; and female year-round, full-time workers. The data are reported in Table IV.

When the results for all wage and salary workers are compared with those for year-round, full-time workers, it becomes clear that changes in the shape of the distribution for year-round, full-time workers are more pronounced. The increase over the years in the share of year-round, full-time workers in the high-earnings category, for example, is roughly equivalent to the increase for all wage and salary workers. The middle share has shown a somewhat larger decline, however, while from 1977 through 1980 there was a rise in the low-earnings share. Moreover, while real median earnings of all wage and salary workers declined by 1.3 percent from 1973 to 1985, they declined by 4.2 percent for year-round, full-time workers. Does this mean that, although deterioration in job quality is not apparent for workers as a whole, a proliferation of low-wage work and a marked shrinkage in employment at middle-class wages *has* occurred for year-round, full-time workers?

Changes in the work force

Before rushing to conclusions about changes in job quality for year-round, full-time workers, it is instructive to consider the sources of the changes. Consider, for example, what has happened to the earnings of female year-round, full-time workers. The shape of the distribution has shown a trend toward a larger share of employment with high earnings. The share in the middle rose until 1976, and subsequently declined to about the same level as in 1967. The share with low earnings rose after 1980, but the low-earnings share in 1985 was still below its level for most years before 1975.

It should be noted that these changes in shares took place in the context of a rise in real median earnings for female year-round, full-

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Table IV. Employment Shares by Earnings Category,[a] Based on Current-Year Median Earnings: 1967-1985[b]
(Percent Distribution of Jobs by Wage & Salary Category and Year)

Year	*Wage and Salary Workers, 16 Years and Older, Both Sexes*			*Year-Round, Full-Time Workers, 16 Years and Older, Both Sexes*			*Male Year-Round, Full-Time Workers, 16 Years and Older*			*Female Year-Round, Full-Time Workers, 16 Years and Older*		
	Low	*Middle*	*High*	*Low*	*Middle*	*High*	*Low*	*Middle*	*High*	*Low*	*Middle*	*High*
1967	31.4	39.2	29.4	14.5	67.2	18.3	10.3	74.6	15.1	13.4	72.2	14.4
1968	30.8	38.6	30.6	13.1	66.8	20.1	9.4	74.8	15.8	12.0	72.4	15.6
1969	30.7	38.7	30.6	11.7	69.0	19.3	9.2	74.6	16.2	8.8	76.0	15.3
1970	30.8	38.2	31.0	11.1	70.0	18.9	8.3	75.1	16.6	8.6	74.4	17.0
1971	30.5	37.9	31.6	11.1	68.4	20.6	9.4	74.1	16.4	8.4	75.3	16.4
1972	30.0	38.2	31.8	12.5	67.6	19.9	10.3	73.4	16.3	7.8	75.5	16.7
1973	30.2	37.1	32.7	12.8	66.8	20.4	10.8	72.7	16.5	9.8	73.5	16.8
1974	31.0	36.9	32.1	12.6	66.2	21.2	10.7	71.9	17.4	0.8	75.0	15.2
1975	30.5	38.8	30.8	11.9	67.4	20.7	9.5	73.0	17.5	7.1	77.0	15.9
1976	30.3	37.6	32.1	11.3	67.2	21.5	9.9	73.9	16.2	7.0	78.1	14.9
1977	29.9	38.1	32.0	10.8	66.4	22.9	11.1	71.0	17.9	7.3	75.9	16.8
1978	30.1	38.5	31.4	11.1	66.6	22.3	10.6	71.5	17.9	6.1	77.0	16.9
1979	29.3	38.8	31.9	10.3	67.2	22.5	11.0	71.6	17.4	6.6	77.4	16.0
1980	28.3	39.1	32.6	10.8	66.3	23.0	11.0	71.7	17.3	6.2	76.0	17.8
1981	29.2	38.1	32.7	11.4	65.1	23.5	12.2	70.1	17.7	7.6	74.9	17.5
1982	29.3	38.1	32.6	11.4	66.6	22.0	12.5	67.0	20.4	7.3	73.2	19.6
1983	28.5	38.8	32.7	12.4	64.8	22.8	13.4	66.8	19.8	7.2	74.2	18.6
1984	29.3	37.9	32.8	12.5	63.7	23.9	13.6	67.2	19.2	8.5	73.2	18.3
1985	28.9	37.7	33.4	13.8	64.1	22.1	14.4	65.3	20.3	8.6	71.10	20.4

[a] Earnings categories are defined as follows: Low, 50 percent or less of median earnings; Middle, more than 50 percent but 150 percent or less of median earnings; High, more than 150 percent of median earnings. Earnings categories are defined relative to the current-year median for each subgroup.

[b] *Source*: Authors' calculations from March Current Population Survey microdata files.

time workers of 7.8 percent from 1973 to 1985, with most of the increase occurring since 1979. When the share with low earnings is measured in constant-dollar terms instead of relative to current-year median earnings, it shows a fairly steady decline from 20 percent in 1967 to 8.6 percent in 1985. Employment of females in year-round, full-time jobs also expanded rapidly—in fact, from 1973 to 1985 year-round, full-time employment increased almost four times as much for females as for males.

These are all positive developments for female year-round, full-time workers as a group. However, because median earnings of female year-round, full-time workers are still only about 63 percent of those for males, the growing presence of women among all year-round, full-time workers tended to pull down the overall median and to swell the share with low earnings. Thus these otherwise favorable developments have had an unfavorable effect on the broader average.

There have, however, been important changes for male year-round, full-time workers as well. As shown in Table IV, there has been a pronounced increase in the share with low earnings, while the share in the middle has shown a persistent decline. In addition, real median earnings for this group declined by 4.2 percent from 1973 to 1985, compared with the increase of 7.8 percent for females. This decline in real median earnings for males, moreover, has been primarily concentrated among younger workers; real median earnings for year-round, full-time males over 45 years old has increased gradually since 1973 after increasing more rapidly earlier. Are young males who work both full-time and year-round members of the group in which all the bad news is concentrated? Has there been a decline in the middle and a proliferation of jobs with low earnings primarily in this group?

It seems fairly clear that young male year-round, full-time workers have fared less well than most other major groups, and that declining earnings for them, along with a big rise in the share of the male work force accounted for by these younger workers, has contributed to the small decline in overall median earnings for male year-round, full-time workers. It is less clear, however, how these results should be interpreted. Some of the questions that need to be addressed are: What are the lifetime earnings prospects of these young male workers? Do low earnings for this relatively young age group mean relatively lower earnings later as well? Or are young males more heavily concentrated in jobs and occupations in which earnings typically rise more steeply with age? We cannot discover

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whether the news is good or bad simply on the basis of current annual earnings and their distribution. Although these data provide some important clues about where to look and what to look for, a more detailed examination of the evidence on earnings prospects is needed to interpret emerging trends properly, to make judgments as to whether we should be concerned about them, and to consider what, if anything, might be done to influence them.

It is important, of course, to place in perspective developments such as those for young, male year-round, full-time workers that, on the surface at least, appear unfavorable. In an economy in which growth in real pay and labor productivity has been small over the past fifteen years, where much of the increase that has occurred has been devoted to non-wage compensation instead of to wages, and in which the average number of hours worked per week has declined over time, it is not surprising that median earnings have increased little or even declined slightly for the work force as a whole. Consequently, if some groups fare better than the average, other groups necessarily fare less well in relative terms—and if the average is not rising, their level of real economic well-being declines. The principal conclusion of this analysis, however, is that for workers as a whole, there has been no proliferation of low-wage (or even low-earnings) jobs, or any movement of workers in the middle toward lower-earnings status.

Increasing productivity vs. reshuffling jobs

The absorption of the "baby boom" generation into the work force has been a significant achievement. This surge of new entrants into the work force, and the extraordinary number of new jobs created to absorb them, has been accompanied by changes in relative earnings for younger workers. While there may be considerable uncertainty about earnings prospects for this cohort of workers as it matures, it is important to be as clear as possible about changes that have already occurred.

The view that wages have stagnated since the early 1970s is confirmed by the data in two different ways. First, real average hourly wages declined from their peak in 1972 and 1973, and still remain slightly below that level. Although the extent of the deterioration is exaggerated somewhat when the pre-1983 Consumer Price Index is used to take inflation into account, use of the adjusted CPI still leaves a small decline. Second, the stagnation in average wages since the early 1970s represents a marked deterioration from the real-wage growth that occurred during the preceding two decades.

This small decline in wages does not, however, mean that the

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average worker is worse off in terms of total pay per hour of work. The rise in the share of the average worker's pay that consists of nonwage benefits has resulted in a small rise in overall hourly compensation. Nevertheless, the slowdown in real compensation increases since the early 1970s means that while workers are still becoming slightly better off on average, their real level of economic well-being attained per hour of work has been improving far less rapidly since the early 1970s than before.

The stagnation in average wages and the slowdown in growth of real hourly pay, however, has *not* been accompanied by any significant change during the past twenty years in the shape of the distribution of earnings for the work force as a whole. In particular, there has been no increase over the years in the share of new jobs with low earnings; the overall share of workers with low earnings has declined slightly; the share of workers with earnings near the middle of the distribution has been essentially stable. These conclusions about the shape of the earnings distribution are quite different, for example, from those reported in the JEC study. In our view, however, the technical and conceptual basis for the results we report is more carefully developed.

The broad implication of these results is that although real wages have flattened out during the past fifteen years, this is not because of a disproportionate growth in jobs that pay low wages. The focus of attention should accordingly be shifted away from the supposed deterioration in the quality of new jobs. That is, the deterioration in real wage and earnings growth is a phenomenon applicable to the entire distribution; it does not reflect an abnormal expansion in jobs with low earnings.

For this reason the primary focus of attention should be shifted toward the earnings distribution as a whole. If the problem of the slowdown in real pay growth is seen as one that extends across the entire spectrum of jobs, it becomes clear that policies intended to discourage the creation of particular kinds of jobs, and to protect or maintain others, are unlikely to succeed. Discouraging the creation of new jobs that actually do pay low wages—by increasing the minimum wage, for example—means lower overall current earnings and poorer earnings in the future, to the extent that there are fewer jobs and that less valuable on-the-job training is provided. Protecting high-wage jobs—by blunting competition from imports, for example—tends to reduce real wages across the distribution because of higher prices. As strategies to improve real wage and income growth, these policies are self-defeating.

Improved real earnings across the distribution as a whole can be

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achieved only through changes and adjustments that lead to improved productivity. Strategies to raise real incomes must accordingly be evaluated in terms of their potential for recovering the growth in productivity that has faded since the late 1960s and early 1970s. A favorable climate for investment in human and material capital is certainly one essential element of policies to improve productivity growth. To realize higher productivity growth, it will be necessary to continue to make adjustments, in order to reflect changing market conditions and to accommodate the introduction of new technologies. Policies that facilitate the requisite adjustments—instead of inhibiting them by protecting particular jobs—are another essential element. A realistic diagnosis of the problem—recognizing that it involves productivity growth for the work force as a whole—is in any event the first step in appraising the promise of potential policies to ameliorate it.

Appendix: reconciling conflicting results

In view of the dramatic difference between the results of our study and those reported in the JEC study (both using the same basic data), the reasons for the differences deserve explicit discussion.

The explanation lies in the sensitivity of the results of the JEC study to seemingly small differences in the methods and assumptions underlying the two studies. Our analysis differs from the JEC study's in the price index used to adjust for inflation, the year chosen as a reference point, how the median of the earnings distribution is estimated, and how earnings cutoffs are specified to define earnings categories.

The particular technical and methodological adjustments we have made in analyzing the earnings distribution are shown in Table V. The data reported in the first step are those reported in the JEC study (and reproduced in Table II, above). They show the percent distribution in employment and percent shares of net additions to employment for the three earnings categories as defined in the JEC study.

The second and third steps in Table V show the effects of revision and updating of the data, with the group we analyze defined to include all workers whose longest job was for wage and salary earnings. First, our data reflect revisions of the population weights for the 1979 data made by the Bureau of the Census to incorporate information from the decennial census of 1980. The principal effect of this revision (Step Two) was a substantial increase in total 1979 employment, compared with the unrevised data used in the JEC study.

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Table V. Reconciliation of Employment Shares by Earnings Category with the Results of the JEC Study

		Shares of Employment (In percentage)			*Shares of Net Employment Changes (In percentage)*			
	Adjustment	*Year*	*Low Earnings*	*Middle Earnings*	*High Earnings*	*Period*	*Low Earnings*	*Middle Earnings*	*High Earnings*
1.	Data reported in JEC study (CPI, raw 1973 median, 50 and 200 percent cutoffs)	1973	31.8	51.6	16.6				
		1979	30.4	53.1	16.5	1973-1979	19.9	64.2	15.9
		1984	32.4	52.7	14.9	1979-1984	58.0	47.5	−5.5
2.	Same as (1), except revised data for *1979* (based on 1980 census data)	1973	31.8	51.6	16.6				
		1979	30.6	53.0	16.3	1973-1979	22.8	62.2	15.0
		1984	32.4	52.6	14.9	1979-1984	65.6	45.7	−11.2
3.	Same as (2) except updating by using *1985* data	1973	31.8	51.6	16.6				
		1979	30.6	53.0	16.3	1973-1979	22.8	62.2	15.0
		1985	31.4	52.6	15.9	1979-1985	41.7	47.5	10.7
4.	Same as (3) except *adjusted* CPI used to define earnings cutoffs	1973	31.8	51.6	16.6				
		1979	30.1	52.0	17.9	1973-1979	18.5	54.8	26.7
		1985	29.4	52.2	18.3	1979-1985	21.6	54.6	23.9
5.	Same as (4) except use of *estimated* 1973 median	1973	30.2	49.3	20.4				
		1979	29.4	52.2	18.4	1973-1979	24.3	70.3	5.4
		1985	29.0	51.6	19.4	1979-1985	23.9	43.4	32.7
6.	Same as (5) except use of estimated *1985* median	1973	30.1	50.5	19.4				
		1979	29.2	51.9	18.8	1973-1979	23.7	60.8	15.5
		1985	28.9	51.6	19.5	1979-1985	24.1	47.3	28.6
7.	Same as (6), except use of 50 and *150* percent cutoffs	1973	30.1	36.8	33.1				
		1979	29.2	38.8	32.0	1973-1979	23.7	51.3	25.0
		1985	28.9	37.7	33.4	1979-1985	24.1	24.6	51.3
8.	Same as (7), except use of estimated *current-year medians* (as in Table IV)	1973	30.2	37.1	32.7				
		1979	29.3	38.8	31.9	1973-1979	23.1	40.9	27.0
		1985	28.9	37.7	33.4	1979-1985	23.8	24.3	52.0

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Second, we extend the period of analysis (Step Three) to incorporate the most recently available annual data (1985). Updating the analysis to 1985 may help to mitigate cyclical effects. (1973 and 1979 were cyclical peak years, while 1984 was an early recovery year.)

The effects of adjustment for inflation using the adjusted CPI (instead of the regular CPI), while retaining the same earnings cutoff levels relative to the median as those used in the JEC study, are shown in Step Four. (We have already discussed the rationale for using the adjusted CPI to take inflation into account when making comparisons of real levels of economic well-being over time.)

The adjustment in Step Five reflects a difference in methods of estimating median earnings. The median is ordinarily thought of as that level of earnings at which the number of workers who earn less equals the number of those who earn more. However, when data are clustered at specific points—earnings data, for example, tend to be reported in round numbers, especially at thousand-dollar intervals—a median defined in this way can be quite insensitive to the addition of workers with earnings above or below it. On the other hand, when the addition of more workers does lead to a change in the median, it tends to jump relatively quickly to the next round number. To mitigate this problem, the estimated medians used in our analysis are calculated using the procedures employed by the Bureau of the Census and the Bureau of Labor Statistics. These "smoothing" procedures reduce the erratic effects of clustering on comparisons of distributions over time.

The data in Step Six show the effects of using 1985 instead of 1973 as a reference year. This choice is arbitrary: we chose 1985 because we present the results in 1985 dollars. The difference in results—which in this case involves the middle- and high-earnings categories—is a result of the estimated 1.3 percent decline in median earnings for wage and salary workers between 1973 and 1985. (The data in this step of the calculations are shown in Chart B of Figure II.)

A comparison of Step Seven with Step Six shows the effects of choosing a different earnings cutoff level, relative to the median, for dividing workers into middle- and high-earnings categories. These 50 and 150 percent cutoffs that we use to develop the data shown in Figure III are arbitrary. The rationale for setting the cutoffs at these levels, as noted above, is that dividing the overall earnings distribution into roughly comparable shares reduces the sensitivity of the measured employment shares to small changes in the tail of the distribution. Finally, in Step Eight earnings categories are defined relative to current-year median earnings instead of the constant-dollar median for 1985.

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The reconciliation of our results with those of the JEC study shows that no single difference in methods or assumptions accounts for a dominant share of the difference in results. Updating the analysis to 1985 and using the adjusted CPI to take inflation into account both contribute importantly to the differences in results, but the use of a different procedure for estimating the median also helps to reduce erratic changes. Comparison of the data reported in Table V clearly shows that relatively small changes in employment shares result in pronounced changes in shares of *net* additions to employment. We believe that a strong case can be made for using our approach and procedures, which result in a more realistic appraisal of jobs and earnings trends.

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Why the current wave of school reform will fail

JOHN E. CHUBB

IN THE EARLY 1980s Americans awoke to discover that their public schools were failing them. Student test scores, declining for nearly two decades, showed America trailing the rest of the world's democracies in mathematics and science achievement. Young people were dropping out of high school at rates that had not changed since the mid-1960s. The public had lost faith in its schools and, enduring the worst economic recession since the 1930s, worried whether the nation possessed the intellectual talent to revitalize its industries and compete with the technological sophistication of east Asia. A flurry of prestigious reports, most notably *A Nation at Risk*, validated and perhaps even inflated these fears.

The rising concern and pressure on all levels of government produced a flood of legislation intended to improve education. State governments cracked down on student underachievement by increasing graduation requirements, requiring regular testing, imposing sanctions for poor performance, and mandating more learning time. They got tough with teachers, strengthening certification processes, instituting competency testing, and elaborating teacher evaluation systems. Officials sharply boosted education spending and rewarded teachers with salary increases surpassing those of every occupational group in the country. Today "competitiveness," a cen-

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tral theme of those who aspire to succeed Ronald Reagan, keeps enthusiasm for improvement high and raises the additional prospect of federal efforts to supplement the state reforms.

The effects of all this activity cannot yet be confidently judged, but there is reason to believe the reforms will fall far short of their goals—and perhaps even prove counterproductive. Simply put, the premises supporting the reforms may be wrong about what causes poor student performance. That, at any rate, is the conclusion emerging from a national study of American high schools in which I have been engaged with Professor Terry M. Moe of Stanford University.[1]

From our perspective, school performance is unlikely to be significantly improved by any measure or set of measures that fails to recognize that schools are institutions—complex organizations composed of interdependent parts, governed by well-established rules and norms of behavior, and adapted for stability. Their influence on learning does not depend on any particular educational practice, on how they test or assign homework or evaluate teaching, but rather on their organization as a whole, on their goals, leadership, followership, and climate. What is more, their institutional structure and character is shaped by their environments—by their relationships with parents, of course, but more pertinently by the way they are controlled, by their connections to administrative and political superiors. Those organizational qualities that we consider to be essential ingredients of an effective school—such things as academically focused objectives, pedagogically strong principals, relatively autonomous teachers, and collegial staff relations—do not flourish without the willingness of superintendents, school boards, and other outside authorities to delegate meaningful control over school policy, personnel, and practice to the school itself. Efforts to improve the performance of schools without changing the way they are organized or the controls they respond to will therefore probably meet with no more than modest success; they are even more likely to be undone.

This unfortunately poses a dilemma for improving the performance of public high schools. Significant gains in student achievement may well require basic changes in the ways schools are governed and organized—in the authority entrusted to them, the objectives

[1] The details of the analysis discussed in this article and a thorough treatment of our subject more broadly defined can be found in John E. Chubb and Terry M. Moe, *What Price Democracy? Politics, Markets and American Schools* (Washington, D.C.: The Brookings Institution, forthcoming 1988).

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imposed upon them, and the professional discretion they are granted. Such changes would, however, threaten the security of political representatives and education administrators whose positions are tied to the existing system and who now hold the reins of school reform. The power to hire and fire, to develop curricula, to select instructional methods and materials, and to set most policy for students and teachers now rests mainly with elected officials, political appointees, and civil servants; their responsibilities would be radically changed and likely reduced under alternative systems of control, whose enactment they have enough political influence to prevent. The reforms that may be the most promising are therefore the ones least likely to be adopted. Indeed, the current wave of education reform has left the organization and governance of public schools pretty much intact.

If we are to overcome this dilemma, the nation may need to demand basic changes in the way public education is financed and run. That, of course, is a high hurdle. But regardless of whether it can be cleared, the nation must understand how tightly school performance may be bound up with school organization and control, for those ties bear directly on the promise of school reform, however it is pursued.

A national study of high schools

For years school performance remained one of the most puzzling issues in education research. In the mid-1960s the largest study of American schools conducted to that time, the so-called Coleman Report, concluded that schools *per se* accounted for little of the nationwide variation in student achievement. Subsequent research —most notably Christopher Jencks's *Inequality*—found that the success or failure of education was largely independent of factors that by economic logic, not to mention common sense, ought to influence it. The experience of public education throughout the 1970s appeared to bear these conclusions out. While real school expenditures, the educational attainment of teachers, class sizes, and other assumed influences on student achievement improved substantially, test scores steadily declined. Student performance could not be tied closely to anything in particular that schools did. Instead, it appeared to depend mostly on parental and peer influences beyond a school's control.

Poor student performance remained a puzzle for so long in part because researchers did not possess the proper data to study the problem. They had excellent information about student achievement

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and adequate measures of student background. But their measures of school quality, while highly reliable, mostly captured what was easy to quantify—things such as expenditures, number of course offerings, and teacher backgrounds, which turned out to have little systematic bearing on student achievement. They did not describe those aspects of school organization—goals, leadership, collegiality, ethos—that subsequent case studies began to identify, time and again, as predictors of school effectiveness. Through systematic surveys such as the one reported in *A Place Called School*, UCLA Education School Dean John Goodlad's pathbreaking effort to characterize schools as "total entities," researchers are gaining confidence that school organization may be the solution to the puzzle of school performance. But researchers do not yet have a data base that contains high-quality information on school organization and the background and achievement of the students in them for a representative sample of the nation's high schools.

The data base assembled for our study is the result of the first attempt, to our knowledge, to create one. It supplements an early-1980s national survey and testing of 25,000 students in 1,000 public and private high schools—the High School and Beyond study—with a survey of the principals and teachers (thirty per school) in a representative sample of half the schools. The supplement, the Administrator and Teacher Survey, was designed by us and a team of education researchers to measure those elements of school organization stressed in field research on school effectiveness. The integrated data set provides reliable and generalizable information on a full range of considerations pertinent to an understanding of school performance, from the influence of the school environment, to the organization and operation of the school itself, to the backgrounds and achievement of the students.

What effective schools are like

Before considering how effective schools come into being, or could be brought about, it is important to know what sort of organization we are talking about. To begin with, we are trying to understand schools that are effective in a particular but preeminently important sense—schools that excel in promoting academic achievement. Of course, schools serve other valuable purposes—socializing young people into our civic culture, for example, or preparing the less academically inclined for specific occupations—and a reasonable argument can be made that those purposes ought to be pursued even if they compete with academic achievement. Still, if

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one standard must be chosen, observers agree that academic achievement stands out as the standard that all schools, regardless of orientation, must give high priority. A profile of the types of schools that are particularly effective or ineffective at promoting academic achievement is thus in order.

To measure achievement, we administered a battery of tests to students in the spring of their sophomore year and again at the end of their senior year. The test scores were aggregated into three achievement measures: verbal, composed of reading, vocabulary, and writing; quantitative, composed of math and science; and total achievement. These measures were then averaged across the students in each school to create school-level indicators of academic performance. Schools in the highest quartile of achievement scores were identified as "high-performance" schools and those in the bottom quartile "low-performance," with separate designations made for each of the three composite measures. The schools were then profiled on the basis of four characteristics—formal structure, informal organization, classroom practice, and student bodies—that figure regularly in explanations of their performance.

Our findings indicate that high-performance and low-performance schools are similar in formal structure. They are essentially the same size, with two hundred students in each grade. The ratio of students to teachers in both is fourteen or fifteen to one. Teachers receive the same minimum and maximum salaries, and about one-fourth of the faculty in both has more than ten years of service in the same school: the respective staffs are equally stable and experienced. In fact, other than in those matters that legally distinguish public and private high schools—for example, admission requirements, tuition, and, to some degree, unionization—the formal arrangements of high- and low-performance high schools, public and private alike, differed significantly in only two respects. The graduation requirements in high-performance schools were slightly more strict than the national average and those of low-performance schools slightly less strict. The top-scoring schools also had twice as many students in an academic track of coursework (64 percent) as the low-scoring schools (29 percent).

A look at classroom practices turned up more differences, but the two types of schools were hardly distinct. Top-scoring schools assign a few more minutes of homework, exercise more effective discipline, and operate somewhat less routinized and bureaucratic classrooms. Yet classes in both are subject to similar amounts of disruption by messengers, P.A. announcements, student tardiness, noise

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in the hallways, and fooling around. And writing, one of the most important skills schools can develop, is required no more frequently in high-performance schools than in low-performance ones. These results generally confirm the impressions of qualitative studies such as Arthur G. Powell, Eleanor Ferrar, and David G. Cohen's *The Shopping Mall High School*: from good schools to bad, classroom activities evidence a predictable—and disappointing—sameness.

High- and low-scoring schools are not difficult to distinguish, however, for they differ dramatically in their student bodies and their informal organization. The differences in student bodies are no surprise. Students in the top schools have parents with significantly greater incomes, higher occupational status, and more years of education—one-and-a-half years on average. Much smaller proportions of students in high-performance schools are black—5 percent as opposed to 21—and disadvantaged—8 percent as opposed to 24. In their homes, students from high-achievement schools have the benefit of more educational tools such as encyclopedias, books, and calculators, and their parents expect more of them to go to college. Predictably, schools with superior academic performance contain students that possess well-known personal advantages.

Much less predictably, though, schools at the top have strikingly superior organizations. To begin with, they have different goals. Schools with the largest gains in student achievement place much more emphasis on academic excellence as opposed to "the basics," occupational skills, or good work habits. Their goals are also clearer: their staffs are more likely to agree on priorities such as the mastery of subject matter and the development of student self-esteem and efficacy. In a word, they are more likely to perceive the school as having a mission. Leadership is helpful in this regard, and it, too, distinguishes the organizations that achieve the most. Principals in the top schools are less likely to have accepted the job to escape teaching and take up management, and are less interested in using the job as a stepping stone to higher administrative office. They are also more successful in gaining their teachers' confidence. Overall, it can fairly be said that leadership in high-performance schools is more pedagogical and less managerial than in low-performance ones.

Leadership is also significantly stronger. Teachers in the top schools regard their principals as more forceful leaders both in the general sense of holding, communicating, and effectively pursuing a vision of what the school should accomplish, and in the more specialized sense of showing teachers how they can contribute to that cause through their instruction. This leadership style is not,

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however, authoritarian. In high-performance schools, decision making is significantly more democratic: teachers are more involved and influential in establishing disciplinary codes, selecting textbooks, designing curricula, and even choosing their colleagues than are teachers in low-performance schools. And relationships between teachers and principals are altogether more cooperative.

Authority is also more likely to be delegated to the classroom. Teachers believe not only that they have more power to help determine schoolwide policy but also that they have greater control of what they teach, how they teach, and how they maintain discipline in their classrooms. Along with this autonomy, teachers in the achieving schools seem to work more effectively with each other. They are more knowledgeable about one another's students and course materials; they are more helpful to one another; they are better colleagues. In the words of the survey, they are more likely to agree that they "can count on most staff members to help out anywhere, anytime"; ultimately "the school seems like a big family." It should come as no surprise, then, that teachers in the top schools feel more effective and more satisfied with their jobs.

Teams vs. hierarchies

Taken together, these organizational contrasts parallel the more general distinction between teams and hierarchies. Both types of organizations depend for their success on the coordinated efforts of their individual members. In a hierarchy this tends to be accomplished through the use, often extensive, of rules and monitoring. Members of the hierarchy are placed in regulated and supervised positions such that the organization will prosper even if the individual holds interests and objectives that are selfish or inconsistent with those of the organization. On a team there is far less reliance on formal arrangements: members tend to cooperate and make effective contributions because they share, often as a condition of their recruitment, a strong interest in the organization's objectives. Which is not to say that "teams" in the real world eschew formalism altogether or that "hierarchies" do not exploit some of the kindred spirit found on teams. But to the extent that organizations tend to look more like one of these types than the other, the distinction can be useful in interpreting their behavior.

This appears to be true for schools. Research on school effectiveness increasingly points to the importance of the qualities that we have characterized as those of a team. In part this is because students seem to profit from the overall learning climate created by

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school staffs that share a commitment to academic excellence, whose members reinforce one another's efforts in their respective jobs. It is also because teaching is evidently more effective when it is guided more by the competent professional judgment of the teacher, as in a teamlike organization, and less by detailed prescriptions of curricula and instructional methods, as in a hierarchy. (This is why so much of the recent discussion of school reforms and some of the most prominent reports on school improvement, most notably the Carnegie Forum's *A Nation Prepared: Teachers for the 21st Century*, emphasize the professionalization of teaching and the delegation of greater authority to the most competent teachers.)

Of course high- and low-performance schools might differ in their structure and operation without those differences having any direct effect on student achievement. Differences in student aptitude or parental support could account for any of that variation and, for that matter, variation in school organization as well. Before examining how schools become organized, though, we must establish that organization makes a difference for academic achievement in the first place.

The importance of school organization

To appreciate the great disparities in test scores among American schools we can look at the national averages of the gains made by the schools in verbal, quantitative, and total achievement. Since those gains are registered over a two-year period, half of the average gains can be considered the standard amount of learning in one year of high school. By this standard, the sophomore-to-senior-year differences in achievement between high- and low-performance schools are roughly two years in verbal skills, nearly four years in quantitative skills, and more than two years overall. For instance, during the final two years of high school a student at a low-performance school would be expected to gain only one grade equivalent in total achievement, while a student in a high-performance school would be expected to gain three. This two-year disparity in overall performance between schools in the bottom quartile and those in the top will provide a point of reference as we try to account for student achievement across all of the schools in the sample.

If schooling is to be accepted as explaining much of this disparity, other prominent influences on achievement, such as student aptitude, parental support, and peer pressure, must be unable to account for it. Each influence, which can readily be measured with indicators in the High School and Beyond survey, was included in

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our analysis: student aptitude was measured by tenth-grade test scores; parental support for learning by an index of parents' income, education, occupational status, and possessions; and peer pressure, through which a student may be encouraged to excel or discouraged from even trying, by an average of the family background scores of the students in each school.

The attributes of schools themselves were represented in two categories. The first, school resources, included measures of the school's physical characteristics, objective attributes that are commonly regarded as key school "inputs": per-pupil expenditures, average salaries of teachers, school size, and student-teacher ratios. The second category, school organization, included the full range of school qualities, more subjective in nature and focusing more on school "processes," that together distinguish hierarchies from teams and, in our view, ineffective from effective schools. These attributes include all those elements of informal organization (for example, school mission and staff relations) and classroom practice (for example, the amount of homework assigned) that were discussed in the profiles of high- and low-performance schools. In addition, they include two measures of formal structure—graduation requirements and the percentage of students on academic tracks—that indicate the degree to which schools are academically oriented. The indicators in each category were then aggregated into indexes of school resources and school organization.

So how does schooling compare with other influences on student achievement? Very favorably. When the effects of the two measures of school quality are analyzed in conjunction with those of the three other influences on academic achievement—the student's aptitude, family, and peers—school organization emerges as the factor with the second largest impact on total test-score gains, trailing only the proxy for student aptitude. In importance it leads parental influence by a little, and school resources and peer pressure by a lot.

School organization, then, has an important effect on learning. *All other things being equal, attending an effectively organized high school for four years is worth at least a full year of additional achievement over attendance at an ineffectively organized school.* In other words, two students with identically average aptitudes and families, who attend two vastly different high schools, one ineffectively and the other effectively organized, will make substantially different amounts of progress over their four years: the former will accomplish three-and-a-half grade equivalents while the latter will achieve four-and-a-half. This is all the more impressive when it is

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understood that the difference attributable to organization exceeds the predicted difference in achievement between students in the "best" and "worst" parental and peer environments.

Still, this is not to say that the effect of school organization works only or even mostly through the operation of a school as a total entity. The influence of organization on learning may depend on particular school practices or policies—strict discipline or substantial homework or aggressive academic tracking—that schools may follow apart from their other operations. This is important to determine, for if the impact of schooling can be traced to particular school practices, student performance might be upgraded by the relatively simple act of mandating those key practices. If, however, the impact depends on the more general operation of the school, simple mandates will not work. To explore this issue we removed from the measure of school organization each of the conceivably discrete practices originally included in it, and analyzed the effect of each on student achievement. With one exception, school practices had no significant independent influence on student gains on the tests: stricter graduation requirements, heavier homework assignments, increased emphasis on writing, and effective discipline yielded only the slightest improvements in achievement.

The exception was academic tracking, and it deserves some emphasis. Schools differ dramatically in their willingness to encourage students to take academic programs. If school effectiveness is defined by overall organizational attributes, an average student in an effective school is twice as likely to be tracked into an academic program as an average student in an ineffective school (.50 versus .25). Tracking decisions are not simply a function of student ability; they are in large measure determined by school policy. Schools, of course, cannot utterly transform their performances by employing academic tracking more aggressively, but one-fourth of the impact of effective schooling is probably due to the far greater willingness of some schools than of others to challenge students intellectually. Tracking, however, is the only practice that makes a substantial difference alone. Generally speaking, the academic influence of schools (which is sizable) works through school organization.

If schools are to be improved, it may well be necessary to transform and revitalize their organizations; thus it is important to understand how their organizations are formed and shaped. This essay cannot begin to cover that subject, for it is a deeply historical one, taking in the politicization of schools in the nineteenth century, their professionalization at the turn of this century, and their con-

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solidation and centralization after World War II. All that can be done here is to consider what seem to be the major contributors to the differences in school organization.

Sources of effective school organization

Several factors could be responsible for the organizational qualities that distinguish good schools from bad. Student bodies, for instance, might determine how high schools look as organizations. It is likely that intelligent students are easier and more rewarding to teach: their presence breeds staff satisfaction and *esprit de corps*, facilitates the development of an academic mission, and encourages school authorities to give teachers the freedom to be innovative. Parental influence might also affect organization. Families that are involved in and cooperate with their schools (agreeing, for example, with a school's strict disciplinary policy or strenuous study program) may reinforce at home the efforts that teachers make at school and encourage more coherent, vigorous, and effective school organizations. The material conditions of schools might affect their organizational quality as well. Smaller classes, greater school expenditures, and higher salaries could improve informal organization by easing the job of teaching or increasing the rewards.

Less obviously, organization may be shaped by things more removed from day-to-day operations—particularly by the way schools are controlled. This is true, of course, in a trivial sense: most schools have outside authorities—boards of education, superintendents, district offices, higher levels of government—that directly organize them by raising and allocating budgets, specifying educational objectives, hiring certain staff, and prescribing basic operations. But outside control may also systematically affect performance, by encouraging or discouraging effective school organization. In our view, this tends to occur in proportion to the amount of control outside authorities exercise over school affairs. The more control a school has over those aspects of its organization that affect its performance—the articulation of goals, the selection and management of teachers, the specification of policies—the more likely it is to exhibit the qualities that have been found to promote effectiveness.

The theoretical argument that autonomy facilitates effective school organization is too complex to develop fully here. It has many facets, each associated with an element of school organization such as leadership, personnel, or pedagogy. The theory also contains contingencies, for there are circumstances in which less school autonomy rather than more probably better promotes effectiveness.

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(Our data suggest that urban schools tend to benefit from strong, externally generated disciplinary policies, rather than ones formulated by principals.) But the basic argument is simple to illustrate.

Consider personnel. If a school is to develop a teamlike organization, it must develop a high level of trust and mutual understanding among its teachers and between teachers and principal. A school that enjoys effective control over the composition of its staff will cultivate this climate by hiring teachers committed to its goals and by removing those who do not perform up to generally held expectations. *The Shopping Mall High School*, for example, points out that private-school principals can promote a common school purpose by appointing only teachers who display a "shared view of education"—something public school authorities rarely do. In such a climate, principals are more willing to empower teachers, not only because they hold ultimate control over them, but also because they respect them.

In a school where control over personnel is exercised largely from the outside, as in an administrative hierarchy, the climate for teamwork is less likely to develop. Staff members committed to a particular vision of schooling will almost inevitably be forced to work with those who may lack such a commitment. As a practical matter, appointments come to depend on objective and widely applicable criteria such as educational attainment, certification, and seniority, and not on educational philosophies or values that may suit teachers to different students, principals, and schools—to different teams. Principals will be reluctant to empower teachers they cannot fully trust, and teachers will hesitate to treat each other as full and equal colleagues. However well-intentioned, outside control of school personnel runs the risk of undermining the coherence and cooperativeness of the school as a total entity and of discouraging the delegation of critical professional discretion to teachers. Outside control over school objectives, curricula, methods, and other aspects of its operation can be expected to work similarly.

The importance of autonomy

So how important is school autonomy or the freedom from outside control? To answer that question, we analyzed the Administrator and Teacher Survey to evaluate the importance of the several competing explanations for the effectiveness of school organization —student aptitudes, family involvement, and school resources— against two measures of the influence of external authorities: one for the power of administrative superiors such as superintendents

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and district offices, and the other for the strength of school boards. These measures were composites of the reported influence of various external authorities, and of school principals, on five categories of school policy or operation: curriculum, discipline, instructional methods, hiring, and firing. Evaluated against one another, school autonomy from administrative control turns out to be the next to the most important source of healthy school organization.

The largest estimated influence on the effectiveness of school organization is the role of parents in the school. All other things being equal, schools in which parents are highly involved, cooperative, and well-informed are more likely to develop effective organizations than are schools in which parents do not possess these qualities. In the schools that looked more like teams, the parents visited classes, conferred with teachers, and attended Parent-Teacher Association meetings more frequently; they were more likely to be contacted by the school if their children were absent from or struggling with their classes; overall they were more predictable and less contentious in their dealings with the school. This support and involvement benefits schools by increasing the likelihood that school objectives will be reinforced in the home, thereby facilitating student academic progress. Enlightened parental involvement enhances the feelings of efficacy and satisfaction among the school staff; it should improve a school's relationships with outside authorities and should function as a signal to higher officials that a school may not need their intervention. And parental participation in school-board politics or district-level decision making can serve as a warning to outside authorities to stay out. This final point is important because it suggests that school organization in general is sensitive to the larger school environment.

It is important to note that it is not the students themselves but their families that appear really to matter. Aptitude has only a small independent impact on organizational effectiveness: brighter students do not breed much healthier schools. Much the same can be said for another influence that works at the school site rather than outside of it—namely, the school's material resources. Within the range of schools observed in this study, organization did not improve significantly with greater expenditures or smaller classes. Instead, they prospered when the environments surrounding them improved, as parents became more supportive, and, as it turned out, as external administrative control of the school became more relaxed.

The influence of administrative superiors over policy and per-

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sonnel was the second most important determinant of school organization. (The influence of school boards *per se* made little difference.) Regardless of the quality of a school's students, parents, or resources, it was more likely to look like a team rather than a hierarchy if its principal was powerful relative to its superintendent and/or central administrative office. In fact, so important was the influence of administrative outsiders that together with the influence of parents it explained most of the variation in organizational effectiveness.

This can be appreciated through two simple comparisons, each between a pair of schools that are identically average in all pertinent respects except one—the first differing in the supportiveness of parents, the second in the influence of its administration. If those differences represent the full range of variation observed in the survey, comparing the worst parental environment to the best and the most outside control to the least, the predicted differences in organizational effectiveness are remarkable. All other things being equal, parental environments are capable of shifting a school from the 30th percentile of organizational effectiveness to the 85th, and administrative environments can boost it from the 41st percentile to the 82nd. By these measures schools appear substantially and systematically to be products of their environments, of the support they receive from parents and the autonomy they enjoy from administrative authorities.

When schools enjoy autonomy

Relative school autonomy does not come easily. Public schools are responsible to local, state, and federal governments, and must expect efforts by outside authorities to hold them accountable. Private schools, of course, have fewer necessary lines of accountability, but the authorities, whether religious or secular, that ultimately oversee them will demand some degree of participation in decisions. Autonomy, then, is a matter of degree, a measure of the balance that has been struck between the need of those responsible for schools to control them and the need of those who work in schools to operate them according to their considerable professional judgment. Since organization and performance appear to prosper when the balance favors the school and its educators, it is useful to understand the conditions that determine the amount of control school authorities exert.

We approached this issue with several expectations, the foremost being that the degree of outside intervention would depend on the

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quality of school performance. Schools with problems—disorder, fighting, academic failure—would attract the attention of school authorities, who would feel compelled by their positions of responsibility to take corrective actions. Schools without obvious problems would tend to be left alone. We expected, in addition, that authoritative intervention would hinge on the degree of parental involvement. Since parents represent a sizable portion of the constituency of a school and constitute its primary clientele, their direct participation in school affairs ought to relieve some of the burdens of governance that state and local officials, school boards, and their agents would otherwise feel. Both expectations were tempered by a third, however—namely, that the more extensive the administrative system of which a school is a part, the more likely external control, whatever its motivation, will be imposed or tightened.

These expectations seemed to cover the basic circumstances that would invite or discourage external intervention in any high school. But in earlier work we had also observed a host of organizational and environmental differences between public and private high schools, much like those that distinguish the high- and low-performance schools. We had also devoted a good deal of thought to the differences in school control logically implied by the political and market settings in which public and private schools were found. As a result, we had concluded that private schools might enjoy an inherent advantage in striking a balance between effective control and adequate autonomy. Because the market provides private school authorities an additional instrument of control, they can apparently afford to delegate greater discretion to their schools and resist imposing more restrictions on them. Within externally defined limits, private schools can be permitted to test their professional judgments by tailoring their organizations, operations, and offerings to the demands of their clientele, because the market can be trusted to determine whether the school has produced a desirable form of education. Public schools cannot reasonably be given this freedom, because they are monopolies within their locales, and the demand for their services does not reflect—at least not very rapidly or precisely—the judgments of parents or students about the quality of the supply. Faced with otherwise identical circumstances, then, public schools should experience more external intervention than private schools.

Each of these expectations was supported: together they accounted for nearly half of the variance in school autonomy. The expectation that carried the most weight was that private schools would enjoy more autonomy than public schools. Whether a school is public or

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private appears to exert as much influence on the level of school control as the other factors put together.

Each condition, more generally, has an impressive effect, independent of the others, on school autonomy. If two schools are average in parental involvement, administrative centralization, and student performance (as measured by adjusted gains on the tests described above), but operate in different sectors, the private school will rank near the top of the sample's distribution of administrative autonomy (the 87th percentile according to our model's prediction), while the public school will rank just below the middle (the 47th percentile). Equally striking, though, is the change in autonomy to be expected from a shift from a more centralized to a less centralized school system—specifically, a shift from an urban to a suburban setting, when all other conditions (including the probability of being public or private) are average. That hypothetical move boosts a school from the 29th percentile of the school-autonomy distribution to the 69th, not quite so high a level of autonomy as in the comparable private school, but as large a jump as that between the school sectors. Less impressive, but well worth noting, are the predicted impacts of parents and performance. All other things being equal, a school would increase its autonomy from the 50th percentile of all schools to the 79th if its parents were to increase their involvement from the lowest level to the highest one observed in the study, and from the 51st percentile to the 71st if the achievement of its students were to register an analogous gain. While school sector accounted for as much of our observed variation in school autonomy as the other conditions taken together, the difference that performance, parents, and administrative structure can make for a school's freedom from control is marked.

At the most general level these results suggest two conclusions directly relevant to school reform. First, there may be a vicious circle connecting the governance and performance of public schools. Schools that have problems—disruptive students, poor test scores, parent apathy—tend to generate more demands for remedial action, to which responsible outside authorities respond in the most obvious manner: by imposing new rules governing school practice and carefully monitoring compliance with them. Some of these requirements, such as those that enforce discipline and maintain a requisite level of order, may well prove effective. But the restriction of school autonomy has the potential to backfire. Principals may lose some of their power to lead and teachers some of their discretion to work as professionals. Organizational effectiveness may consequently deteriorate, and with it the performance of students. The deterioration

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may then stimulate another round of demands for action, followed by increased school restrictions, decreased performance, and rising public dissatisfaction. This circular syndrome is apparently aggravated in large urban school systems, where the possibility of using less prescriptive means of improving performance is all but precluded by the existing apparatus of control and the practical difficulty of accomplishing anything informally.

The second conclusion is that unlike public schools, where autonomy appears to depend on an absence of compelling reasons for external intervention, private schools appear to provide autonomy as a matter of course. The most important reason is no doubt the availability of an additional mechanism of social control. Public schools are controlled almost exclusively through regulation and monitoring, because alternatives are usually precluded by their monopoly status within their political jurisdictions. Private schools, however, may also be controlled by the market: schools offer an educational product and parents and students register their approval by consuming or rejecting it. Under these circumstances, outside authorities such as bishops or boards of trustees do not need to pursue their objectives through extensive regulation and reporting. They can determine whether their wishes are being fulfilled by observing the success of the school in keeping its clientele. Private school authorities can provide their schools with autonomy without losing control. Public school authorities cannot. Their schools, having acquired their clienteles by assignment and their resources by appropriation, lack important incentives to adapt their organizations to efficiently satisfy the demands of parents and communities. As a result, public school officials can provide schools with autonomy only in exchange for carefully monitored systems of accountability—which, of course, threaten to be prescriptive, restrictive, and counterproductive.

The elusiveness of autonomy

For all that has been said and done about school improvement in the 1980s, school reform has thus far involved only those measures that, according to tradition, are the most politically and administratively acceptable. The official assault on education mediocrity has really had but two thrusts. The first is to crack down on student underachievement. State legislatures in particular, but state and district school officials as well, have declared existing levels of achievement intolerable and have mandated improvements. Students in most states are being forced to take more prescribed courses

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and to pass periodic standardized tests to receive a high school diploma. Schools are commonly being required to devote more time to instruction, to strengthen their discipline, to adhere to more detailed and rigid curricula, to deny extracurricular participation to failing students, and to implement special "academic enrichment" programs. To reinforce this thrust, officials have put together one other reform—a push to "professionalize" teaching. Most states have consequently toughened their teacher certification processes, instituted competency testing, developed more extensive teacher-evaluation systems, and, partly in exchange, provided across-the-board raises and merit increases.

There is little reason to believe that these actions, forceful though they are, will make much headway in boosting student achievement, and there is considerable reason to believe they will fail. To begin with, there is scant evidence that any of the aspects of schooling that are affected directly by the reforms have had an impact on student achievement—at least in a straightforward way. To be sure, American schools have lost some of their academic focus over the years, and have probably lost some of their more talented teachers as well. But there is no evidence that tougher requirements for students or teachers independently account for the superiority of some schools over others. Our research suggests that in and of themselves stiffer graduation requirements are unimportant, but that as part of an all-encompassing effort to excel academically they may be vital. Teachers are likewise integral to any school's success or failure, and there should be no quarrel with efforts (such as examinations) to identify and release the incompetent ones. But teacher effectiveness does not appear to pivot upon professional credentials or upon compensation. This is not to say that teachers do not deserve higher pay for their socially important work, or that higher pay will not eventually attract better people. But teacher compensation is not a significant explanation of the disparity between high- and low-peformance schools today. As far as we can tell, the kinds of changes that school reforms have made so far are not the sort that produce improvements in performance.

Indeed, they may do the opposite. Most of the current reforms are regulatory in nature. They impose higher standards and establish monitoring, reporting, and accountability systems to try to ensure that they are met. The new edicts also emanate mainly from state legislatures far removed from the schools. As the reforms are implemented, the chances are that they will become more detailed, prescriptive, and perforce restrictive: laws are seldom self-imple-

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menting, and bureaucrats in state education agencies and local district offices will need to specify the procedures for following them. In practice, this means that the curricular and instructional steps that educators must follow will become less subject to choice, and the criteria for judging their performance more closely tied to following them. The problem with this is that the losses of autonomy that these practices entail are a threat to the classroom and to the school. Teachers lose the ability to accommodate much of the diversity that they encounter in their students, and principals lose the flexibility to organize a truly collegial and professional team.

Education administrators are not ignorant of this risk. They understand the importance of professional autonomy, and they have learned through the implementation of countless education improvement programs since the mid-1960s that autonomy is easily endangered. But they are trapped. As long as the general public or interest groups such as the poor, the handicapped, or business and industry demand results, administrators will be hard pressed by politicians in state government and on local school boards to come up with some. Initially they will work to provide evidence of results without involving themselves deeply in school affairs. But the interest groups that monitor policy implementation are not easy to satisfy; when they are dissatisfied, schools may suffer truly consequential losses of autonomy. Federal programs to aid the poor, most notably Title I (now Chapter I), have had this negative side effect. As schools struggled to demonstrate to government auditors that poor children were really getting something extra from program money, they discovered that the simplest way to pass official muster was to create "pull-out" programs, a dubious approach to remediation that most educators now regard as unacceptably stigmatizing to students removed from regular classes. But without an effective system of accountability, public schools lack sufficient incentives to follow mandates, and their authorities have good reason to fear that schools will respond only superficially. We have seen some evidence of this in those schools in our study that are carrying out school improvement programs (one-third, according to the principals): less than half of the teachers in those schools are aware that a program exists, let alone know its details.

The impact of reform

No matter how the current reforms are implemented, however, the most compelling reason for pessimism about their effectiveness is their conception: they allow little scope for improving those qual-

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ities of school organization that we think are crucial to school performance. Schools have not been granted more autonomy; they have had it taken away. The goals that schools have been asked to fulfill have not been clarified or reduced in number, but expanded to include the burden of increasing our technological sophistication. Math and computer science have therefore become higher priorities, but other priorities have not been displaced: support for traditional programs of study rooted in the liberal arts remains quite strong, and nothing has eroded the importance of alternative, vocationally-oriented programs for the less academically inclined. Everything, in effect, has become a top priority.

Reformers also want very much to improve the quality of school staffs, yet they have not given schools the flexibility to build their own. Improvement is being pursued teacher by teacher through testing, credentialling, and evaluation, and not through efforts to foster consensus, collegiality, or collective responsibility. Principals are exhorted to act as stronger leaders, and teachers to behave more professionally, but neither have been given the freedom or responsibility to perform accordingly. There is little reason to think, therefore, that schools will develop a sense of mission, acquire strong direction, benefit from increased levels of cooperation and commitment, or become the kinds of organizations that superior academic performance seems to demand.

Unfortunately, there is also little reason (at least under current conditions) to expect concepts of school reform themselves to be reformed. As long as public education is governed and administered as it is, politicians and administrators will not grant schools substantial autonomy. Schools cannot and should not be given greater control over their educational enterprises unless they can be held accountable for their performances. Accountability, however, is a very cumbersome, intrusive, and potentially counterproductive mandate to fulfill when it must be accomplished through performance standards and regular monitoring. If schools were given latitude to pursue academic excellence, they would probably need to be held accountable for their efforts through the use of standardized tests (to give an example). This procedure could cause learning to degenerate from a broad effort to cultivate the various qualities of the educated mind into an unacceptably narrow pursuit of high test scores. To the extent that reformers reject school autonomy in order to avoid the frustrations and unintended consequences of accountability systems, they are to be applauded.

But decision makers have other, less laudable reasons for hesitat-

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ing to decontrol public schools. Education administrators have a major stake—namely, their jobs—in public education as it is currently organized; they hold deep-seated professional beliefs that support the system, or at least its basic architecture. Teachers' unions, for all their genuine concern about autonomy in the classroom, are reluctant to embrace a system that might offer more independence but would probably threaten tenure and seniority. Politicians have less invested personally and are often willing to entertain proposals to change the existing form of public education, but their positions of ultimate responsibility make them powerful protectors of the status quo too: if school reforms, radical or otherwise, do not succeed quickly, politicians become vulnerable to demands from the public for corrective action; they are likely then to respond by reimposing the very sorts of controls that reform aimed to remove. Thus, even if the interests that support the current system could be overcome, real reform might be undone by the forces that led public education to be extensively controlled in the first place.

Reforming reform

Real improvement in public education therefore presents a dilemma. The reforms that are most consistent with current arrangements for school governance and administration are unlikely to foster the organizational and professional climates most conducive to student achievement. But the kinds of reforms that might well bring about better school conditions are inconsistent with existing controls, and are therefore unlikely to be adopted or adequately carried out. What are these more promising reforms? In essence they are plans to cultivate the various qualities of organizational effectiveness, from stronger leadership to more professional teaching, by increasing school autonomy. They also recognize that perhaps the only way to increase autonomy without either sacrificing accountability or having it degenerate into excessive regulation is to rely less on relationships of authority and more on the signals of the market. That is where they run into trouble. Reforms that would transform the controls over schools from political and administrative arrangements to those of the market would shift much of the power over public education from elected and appointed government officials outside of schools to the professionals within the schools and to their essential clientele—students and their parents.

All of this may mean that fundamental reform will not be adopted and that public schools will somehow muddle through, squeezing tolerable improvements out of tougher requirements,

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increased compensation, and other modifications of the existing system. But temporizing efforts may prove more frustrating than satisfying—and continued pressure for permanent, fulfilling improvements might make basic changes in school governance feasible.

There are signs that this may already be happening. In 1986 the Carnegie Forum, a prestigious panel of education professionals and researchers, called for radical changes in school accountability systems to increase the discretion of principals and teachers. A group of elected officials critical to the future of education reform, the National Governors' Association, called for substantial increases in school autonomy. And for several years now school districts throughout the nation have been experimenting with various reforms that mimic economic markets.

If the current wave of school reform does fail to produce improvement, and if real alternatives are considered, a number of options ought to be taken seriously—among them, magnet schools, open enrollment plans, and full or partial voucher systems. In one way or another, each provides students and their parents more choice among schools and more reason to become cooperatively involved in them. Each also encourages schools to organize for greater effectiveness by establishing competition for both students and resources and by increasing school autonomy. There are advantages and disadvantages associated with each, and an adequate justification for recommending any one is beyond the scope of this essay. But the alternatives share a distinct advantage over the education reforms that the states are now pursuing: they are justified by basic premises about school performance that are more nearly correct. They also indicate a way around the dilemma. They offer the public the means to improve their schools without losing control over them. And control, after all, may be the only credible justification for the system that now stymies school performance.

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Economic and material poverty in the U.S.

NICK EBERSTADT

FOR MANY YEARS NOW, economists and policymakers have voiced concern about what is said to be an increasing number of poor people in the United States. Their attention has been focused for the most part on the rise in the measured rate of poverty that has occurred since the early 1970s. According to the estimates of the U.S. Census Bureau, the fraction of the civilian, noninstitutionalized population living below the official "poverty line" underwent sustained and secular increase during most of the 1970s and all of the early 1980s. Between 1973 and 1983, the "poverty rate" rose from 11.1 percent of the population to 15.2 percent, or by well over a third. Though the poverty rate declined somewhat during the subsequent years, it was still placed at 13.6 percent in 1986—higher, both relatively and absolutely, than it had been a decade and a half earlier.

Yet strangely, while the measured rate of poverty was rapidly rising, other indicators of economic well-being—growth of disposable income, improvements in educational qualifications, advances in health—suggest that the 1970s and early 1980s were a period of overall progress toward greater affuence and prosperity. During this period, the poverty rate seemed to become detached from those economic forces that traditionally affected most Americans' financial well-being.

In the 1960s and early 1970s, for example, an increase in per

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capita GNP of three to four percent corresponded with a decline in the measured poverty rate of about one point; yet in the late 1970s and the early 1980s, a similar increase in per capita GNP corresponded with a slight *rise* in the poverty rate. Nor did changes in the unemployment rate seem adequate to the task of reducing the new poverty. Between the mid-1960s and the early 1970s, during the heyday of America's postwar boom and the "War on Poverty," any given rate of unemployment, if held constant, was consistent with a drop in the measured rate of poverty of almost one point a year. By the late 1970s and early 1980s, a given rate of unemployment was consistent with an annual *increase* in the poverty rate of nearly one-third of a point.

This rise in measured poverty, moreover, was occurring at a time when the United States government, through its public policies, was devoting ever larger absolute amounts of resources to the alleviation of material need (and for much of this period a larger *relative* fraction of national resources as well).

If these figures raise many questions about the well-being of the American populace, they may also suggest that some of the economic indices commonly used today to depict the degree of poverty in the United States provide little insight into the physical and material well-being of the poor. I am suggesting, in other words, that *economic* poverty (which tells us about the income level of the poor) is very different from, and arguably less important than, what can be called *material* poverty (which tells us about their health and welfare). Economic data alone may even provide a seriously misleading impression of the physical circumstances of given groups over time[1].

By contrast, traditional indicators of *deprivation* such as health and nutrition might give us a less ambiguous and more consistent idea of how the poor—whatever their numbers—are doing. Important in and of themselves for their broad correspondence with what is generally recognized as "poverty," health and nutrition figures are also, in meaningful ways, less subject to error than economic data. It is easier, after all, to determine whether a person is alive or

[1] Joseph Schumpeter spoke to a related measurement problem in *Capitalism, Socialism, and Democracy* (1943):

> There are no doubt some things available to the modern workman that Louis XIV himself would have been delighted to have yet was unable to have—modern dentistry for instance. On the whole, however, a budget at that level had little that really mattered to gain from capitalist achievement. . . . Electric lighting is no great boon to anyone who has money enough to buy a sufficient number of candles and to pay servants to attend them. It is the cheap cloth, the cheap cotton and rayon fabrics, boots, motorcars and so on that are the typical achievement of capitalist production, and not as a rule improvements that would mean much to the rich man.

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dead than to determine his income—and if anything more important. Indeed, information about life expectancy, infant mortality, suicides, birth weights, undernutrition, and diet may tell us more about the material condition of Americans in poverty than conventionally quoted statistics about income do.

Health and poverty

Good health comes close to being a universally desired personal attribute. Although important for reasons entirely unrelated to money, it also has a real economic value. This may be appraised in a variety of ways. Thus Dan Usher's book (*The Measurement of Economic Growth*) attempts to estimate the utility to consumers of their own increased consumption when their lives lengthen. On the basis of some arbitrary but not implausible assumptions, Usher concludes that an imputation for improved life expectancy would, for the years 1930-74, increase the measured rate of growth in U.S. GNP per capita by something like 25 to 29 percent. Such imputed benefits from improved health, though by no means trivial to the individuals affected, are of course never directly registered in national accounts.

Yet poor health still has direct and indirect economic costs that can be measured more precisely. The National Center for Health Statistics (now part of the Centers for Disease Control) has attempted to do just this for the year 1980 in the United States. The NCHS found that those families with the lowest measured income had the highest direct medical costs per capita (although these families did not necessarily assume the costs themselves). Based on several assumptions about lifetime income, the Center also estimated the indirect costs of poor health that would result from earnings lost due to illness. They found that lost earnings due to such indirect health costs were not only relatively higher for poorer families than for families as a whole, but also higher in absolute terms.[2]

The significance of such income losses should not be underestimated. If illness among poor and low-income families could be reduced, the effects on the measured rate of poverty could be consequential. To take a hypothetical example, reducing the poverty population's annual per capita income losses due to poor health so that they equalled the national average would reduce the measured rate of poverty in the population as a whole by about one-fifth.

Such speculation about remaining health problems, however, should not obscure the actual health advances that have been made

[2] National Center for Health Statistics, *Cost Of Illness United States, 1980*, Series C, Analytical Report No. 3 (Washington, D.C.: U.S. Department of Health and Human Services, Public Health Service, April 1986).

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Table I. Expectation of Life at Birth: 1940–1983 (Selected years)[a]

Year	*All Persons*	*Males*	*Females*	*Whites*	*Nonwhites*
1983[b]	74.7	71.0	78.3	75.2	71.3
1980	73.7	70.0	77.5	74.4	69.5
1973	71.4	67.6	75.3	72.2	66.1
1970	70.8	67.1	74.7	71.7	65.3
1960	69.7	66.6	73.1	70.6	63.6
1950	68.2	65.6	71.1	69.1	60.8
1940	62.9	60.8	65.2	64.2	53.1
	Change in Life Expectancy (Years)				
1973–1983	3.3	3.4	3.0	3.0	5.2
1960–1970	1.1	0.5	1.6	1.1	1.7
1955–1965	0.6	0.1	0.9	0.5	0.4
1940–1950	5.3	4.8	5.9	4.9	7.7
	Change in Life Expectancy, Nonwhite Minus White (Years)				
	All	*Male*	*Female*		
1973–1983	2.2	2.0	2.3		
1960–1970	0.6	−0.4	1.6		
1955–1965	−0.1	−0.5	0.3		
1940–1950	2.8	4.2	2.4		

[a] *Source*: U.S. Bureau of the Census, *Statistical Abstract of the United States* (Washington, D.C.: Department of Commerce), various issues.
[b] Preliminary figures.

in recent decades. After the rapid rises in life expectancy in the 1940s, improvements in life expectancy in the 1950s and early 1960s were slow (see Table I). Improvements in life expectancy at birth began to accelerate again in the mid-1960s. Over the decade 1973-1983 they were three times as great for the country as a whole as they were during the 1960s. Improvements were particularly sizable for the nonwhite population, which historically has had lower life expectancies. Over the course of the 1960s, the gap in life expectancy at birth between whites and nonwhites narrowed by only about seven months. Yet between 1973 and 1983 that gap closed by 2.2 years. Improvements in life expectancy between 1973 and 1983 were greater for nonwhites than for whites not only at birth, but also in youth and middle age.

Infant mortality

The infant mortality rate plays a major role in determining overall life expectancy; it is also widely regarded as an indicator with broader reference to social development. As seen in Table II,

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Table II. Infant Mortality Rates: 1940–1983 (Rate per 1,000)[a]

Year	*All Races*	*White*	*Nonwhite*	*Black*	*Ratio, Nonwhite to White (White = 100)*
1983	11.0	9.7	16.8	19.2	173
1980	12.6	11.0	19.1	21.8	174
1973	17.7	15.8	26.2	28.1	166
1970	20.0	17.8	30.9	32.6	174
1965	24.7	21.5	40.3	41.7	187
1960	26.0	22.9	43.2	44.3	189
1955	26.4	23.6	42.8	NA[b]	182
1950	29.2	26.8	44.5	43.9	166
1940	47.0	43.2	73.8	72.9	171
		Percent Change			
1973–1983	– 37.3	– 38.6	– 35.9	– 31.7	
1960–1970	– 23.1	– 22.3	– 28.5	– 26.4	
1955–1965	– 6.4	– 8.9	– 5.8	– 5.0[c]	
1940–1950	– 37.9	– 38.0	– 39.7	– 39.8	

[a] *Sources*: U.S. Bureau of the Census, *Statistical Abstract of the United States: 1986* (Washington, D.C.: Department of Commerce, 1986); "Advance Report of Final Mortality Statistics, 1983," *Monthly Vital Statistics Report*, Vol. 34, No. 6, Supplement (2), September 26, 1985; National Center for Health Statistics, *Vital Statistics of the United States* (Washington D.C.: U.S. Department of Health and Human Services), various issues..

[b] Not available.

[c] This figure is for the years 1950–1965.

during the late 1950s and the early 1960s there was comparatively little progress against infant mortality in the United States. Infant mortality resumed more rapid decline in the mid-1960s, and, like the increase in life expectancy, was particularly rapid between 1973 and 1983. In absolute terms infant mortality fell further for nonwhites and blacks than for whites between 1965 and 1983, although it remained significantly higher than the white infant mortality rate. One further indication of health progress comes from the Indian Health Services, which are charged with providing public medical care to native American populations on and around Indian territories. If their figures are correct, infant mortality rates for the areas serviced were lower than the rate for the country as a whole in 1982. As recently as 1955 they were measured to be nearly two-and-a-half times the national average.

The correlation between infant mortality rates and official poverty rates for children became progressively less close between 1959 and 1983. Table III shows that until 1973, the poverty rate for children roughly paralleled the infant mortality rate. But after 1973 this correspondence completely broke down. Between 1973 and 1983, for example, the measured rate of poverty for black children rose by over one-eighth, yet the infant mortality rate for black

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Table III. Infant Mortality Rates (per 1,000 live births) and Estimated Poverty Rate (in percentages) for Related Children[a] Under 18: 1960–1983 (Selected Years)[b]

	Year					
Characteristic	*1960*	*1965*	*1973*	*1975*	*1980*	*1983*
All Races						
Infant Mortality Rate	26.0	24.7	17.7	16.1	12.6	11.0
Poverty Rate	26.5	16.3	14.2	16.8	17.9	21.7
Whites						
Infant Mortality Rate	22.9	21.5	15.8	14.2	11.0	9.7
Poverty Rate	20.0	14.4	9.7	12.5	13.4	16.9
Nonwhites						
Infant Mortality Rate	43.2	40.3	26.2	24.2	19.1	16.8
Poverty Rate	66.6	59.0	38.9	38.0	38.3	42.8
Blacks						
Infant Mortality Rate	44.3	41.7	28.1	26.2	21.8	19.2
Poverty Rate	NA[c]	47.4[d]	40.7	41.4	42.1	46.3

[a] "Related children" are children brought up in families (as opposed to orphanages).
[b] *Sources*: U.S. Bureau of the Census, Series P-60, various issues; and *Statistical Abstract of the United States*, various issues.
[c] Not available.
[d] This figure is for 1967.

Americans fell by nearly a third. During the decade beginning in 1973, in fact, child poverty rates and infant mortality rates were moving in opposite directions for children of all races.

Infant mortality rates are affected by a number of different proximate factors, one of the most important being low birth weight. Low-birth-weight babies (defined as those born under 2,500 grams—about 5.5 pounds) have much higher mortality rates than those who have higher weights at birth. Mortality risks by weight are, of course, on a continuum, but the odds of dying in infancy are today about twenty times as great if one is born below this low birth weight line as if one is born above it. According to National Center for Health Statistics data, the overall fraction of lower-weight births in the United States has remained relatively stable since 1950, while the infant mortality rate has consistently declined.

It is frequently asserted that the United States' infant mortality rate compares unfavorably with those of other developed Western nations. But this is not altogether correct; thus in 1982, according to the U.S. Public Health Service, the United States appeared to be almost in the middle of the range for such countries.[3] The American infant mortality rate for that year was lower than those of such

[3] *Health, United States 1985* (Washington, D.C.: U.S. Department of Health and Human Services, Public Health Service, 1985).

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Table IV. Infant Mortality Rate (per 1,000 live births) for Legitimate and Illegitimate Births: 1960[a]

	Age of Mother				
Characteristic	*15–19*	*20–24*	*25–29*	*30+*	*All Ages*
White Births	28.1	21.4	20.0	22.3	22.2
Illegitimate White Births	33.0	30.3	32.7	39.0	33.0
Legitimate White Births	27.7	21.2	19.9	22.1[b]	21.9
Nonwhite Births	49.5	40.2	37.3	39.8	41.4
Illegitimate Nonwhite Births	52.7	48.5	48.9	52.0	51.2
Legitimate Nonwhite Births	47.2	38.2	35.4	40.8[b]	38.3

[a] *Sources*: National Center for Health Statistics, *A Study of Infant Mortality from Linked Records by Age of Mother, Total Birth Order, and Other Variables*, Series 20, No. 14 (Washington, D.C.: U.S. Department of Health, Education, and Welfare, September 1973); NCHS, *Vital Statistics of the United States: 1960*, Vol. I (Washington, D.C.: U.S. Department of Health, Education, and Welfare, 1963).

[b] Estimate derived from 30–34 year-olds only.

places as Austria, West Germany and New Zealand, but higher than the rates found in Scandinavia, Switzerland, and Japan. It should be noted, though, that the low-birth-weight ratios of these latter nations are significantly below that of the U.S. In relation to its low-birth-weight ratio of 1980—which was the second highest among industrialized nations—the United States actually has an unusually low rate of infant mortality.[4]

Another proximate risk to infant health is illegitimacy. The U.S. government gathers data on illegitimate births, but does not customarily collect data on illegitimate deaths. When it did so in 1960, it found that infant mortality was one-third higher for illegitimate nonwhite babies than for legitimate ones, and over 50 percent higher among whites (see Table IV). Moreover, infant-mortality rates were higher among illegitimate babies not only by race but also by maternal age. Given this apparent correlation between illegitimacy and high infant-mortality rates, one might have expected an increase in the latter from 1950 to 1983, when illegitimacy was undergoing a much-publicized increase. But what we find is exactly the opposite: infant mortality rates have declined while illegitimacy rates have soared. This decline seems to have occurred not because of the breakdown of the two-parent family, but *despite* it.

Infant mortality is not the only sort of death rate that provides insight into a nation's well-being. Some indication of self-assessed well-being may be gleaned, for example, from the incidence of suicides. Suicide rates, although perhaps the reflection of a variety of

[4] Institute of Medicine, *Preventing Low Birth Weight* (Washington, D.C.: National Academy Press, 1985).

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factors, should nonetheless tell us something about the quality of life in the country. It is interesting to note that suicide rates rose sharply in the 1920s—a period of prosperity—and slumped just as sharply in the 1930s—during the Depression. Though today suicide rates are much lower than in the earlier part of this century, they have been rising since 1950. Since 1960 suicide rates for men have been higher than for women, and sex-specific suicide rates have been higher for whites than blacks. At first glance, and perhaps paradoxically, suicide rates seem to be inversely correlated with measured poverty.

Health and welfare

Where, and for whom, are health conditions in the United States poorest? Even after the progress of recent decades, this question can still be answered entirely without reference to the white population. To be sure, health conditions for nonwhites are not always worse than for whites. The state with the highest life expectancy in 1980, the latest period for which state life tables were computed, was Hawaii; it is predominantly nonwhite. Yet on a national basis life expectancy for nonwhites is significantly lower than for whites, principally because of the gap between whites and blacks. As of 1980, there was no overlap between white and black life expectancies in the fifty states and the District of Columbia: the highest black life expectancy in any state (Massachusetts) is lower than the lowest white life expectancy in any state (Nevada). In both 1970 and 1980, life expectancy for nonwhites was lowest for four southern states and the District of Columbia. In 1980, when blacks are separated from other nonwhite populations, one northern state joins the list: Illinois. Of all places in the nation, the District of Columbia has the lowest measured life expectancy at birth for blacks.

One may speculate that social welfare programs could have two opposite effects on the health of the American population. The obvious one would be to increase health directly and unambiguously, by providing the public and the poor with better medical care, education, housing, and nutrition than they would otherwise have. But a countervailing effect might arise through the impact of social welfare programs upon the family—insofar as they subsidize those family patterns that are correlated with greater risks to infant survival, such as illegitimacy.

Further research must be done before this speculation can be rigorously tested. Data collected by the government of the District

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Table V. Health Characteristics of Infants in Welfare Families in the District of Columbia, 1983[a]

Characteristic	City Average	Dependency Indicator			
		Best	*Moderate*	*Poor*	*Worst*
Infant Mortality Rate (per 1,000 live births)	18.2	12.2	20.5	18.8	24.0
Neonatal Mortality[b] (per 1,000 live births)	13.2	10.8	14.7	14.3	13.9
Postneonatal Mortality[c] (per 1,000 live births)	4.9	1.4	5.8	4.5	10.1
Births to Teenage Mothers (percent)	18.8	7.3	16.8	22.6	28.1
Out-of-Wedlock Births (percent)	57.4	29.3	55.4	68.2	75.5
Low-Birth-Weight Births (percent of live births under 2,500 grams)	13.1	8.9	13.2	14.3	16.2

[a] *Source: Vital Statistics of the District of Columbia: 1983* (Washington, D.C.: U.S. Department of Health and Human Resources, n.d.).
[b] "Neonatal mortality" refers to deaths in the first four weeks of life.
[c] "Postneonatal mortality" refers to deaths in the first year of life that occur after the first four weeks.

of Columbia, however, are intriguing (see Table V). The municipal government in Washington, D.C. has constructed what it calls a "dependency indicator," a composite index reflecting the ratio of recipients of different means-tested public benefit programs to total population by census tract. Census tracts are then ranked, not according to poverty rates or income levels, but instead by their "dependency indicator" rating. In 1983, the proportion of babies born out of wedlock, to teenage mothers, and with low birth-weight rises steadily with the "welfare" indicator; infant mortality rises with it as well, although the correlation is not so tight. Income levels, measured poverty status, and the receipt of public benefits, of course, are all closely correlated. It would be interesting to attempt to control for income or measured poverty status, and to see what effect this would have on these indicators of child well-being in relation to "welfare" for children.

Nutritional well-being

The nutritional well-being of a population is more difficult to assess than is commonly understood. Short of clinical examination —a procedure hardly feasible for a nation as a whole—it is difficult to obtain the biochemical and metabolic data upon which to make confident pronouncements about nutritional status. Even with these, there remains the problem of relating deviations from specified

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ideals to their practical consequences in daily life. Compounding these difficulties is the nature of the appetite mechanism. "Hunger" is a subjective condition. Persons who are clinically obese may feel constantly hungry, just as a person dying of starvation may have no will to eat.

But nutritional well-being may be gleaned from purchasing patterns of households—for example, the proportion of a household budget spent on food. Patterns of expenditure should in a very real sense reveal something about self-assessment of nutritional status.

Table VI shows the proportion of expenditures on food and drink in relation to income and total expenditures for urban blue- and white-collar workers in surveys from the end of the nineteenth century to the middle of the twentieth century in America. Although there were fluctuations—a rise, for example, during the Depression—and doubtless measurement errors, the trend was downward. The trend of decreasing proportional expenditures on food coincided with—and is consistent with—a rise in life expectancy.

In 1977-78, at the time of the USDA's decennial National Food Consumption Survey, about 18 percent of the personal consumption expenditures of U.S. households, on average, were for food. For "low income" households—in the USDA survey, those that could qualify for food stamps—the fraction appears to have been about 19 percent. The percentage of expenditures allocated to food by the "low income" population in the U.S. was thus lower than for any Western European population for which comparable data were available. In fact, according to USDA analyses, the marginal propensity of the U.S. "low-income" population to spend money on food was nine to twelve cents on every additional dollar of income.

Table VI. Expenditures on Food and Beverages as a Percentage of Money Income After Taxes and of Personal Consumption Expenditures for City Wage and Clerical Workers' Families: 1888–1961[a]

Year	*Food and Beverage Expenditures as a Percentage of Money Income after Taxes*	*Food and Beverage Expenditures as a Percentage of Personal Consumption Expenditures*
1960–61	26.6	28.2
1950	33.3	32.8
1934–36	38.7	40.2
1917–19	35.5	39.4
1901	49.7	52.4
1888–91	44.5	47.2

[a] *Source*: Bureau of Labor Statistics, *Handbook of Labor Statistics: 1973* (Washington, D.C.: U.S. Department of Labor, n.d.), p. 325.

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Every food stamp "dollar" was estimated to have increased expenditures on food by about twenty-five cents.[5]

By 1984, households in the lowest income quintile in the Bureau of Labor Statistics Consumer Expenditure Survey were allocating less than 19 percent of their personal consumption expenditures (PCE) to food. This contrasts with the original presumption in constructing the "poverty line" back in 1964 that a family in poverty in the United States would be spending roughly a third of its after-tax income on food. By 1982-83, according to the BLS survey, even groups traditionally considered vulnerable to adverse circumstances were devoting small fractions of PCE to food. At a time when the measured poverty rate was rising for the black population, the share of food in PCE for the black population fell below 18 percent. Households headed by persons 65 or over, but with less than $5,000 reported annual income—virtually all of which would have been below the 1983 poverty line—devoted less than 20 percent of their PCE to food. For households headed by a person 25 or younger reporting an annual income of $5,000 or less—100 percent of which would have been below the 1983 poverty line—the share of food in PCE was about 21 percent.

Food budgets can be instructive in telling us not only how much is being spent, but also what is being purchased. One would ordinarily expect persons feeling nutritional deprivation to attempt to "stretch" their food budget—to maximize the nutrients per dollar of food purchased. Results from the 1977-78 National Food Consumption Survey suggest that lower-income households, for whatever reasons, purchased fewer calories with their food dollar than higher income households. Those low-income households using food stamps purchased food with fewer nutrients per dollar in it than did low-income households without food stamps.[6] This result, of course, is quite in keeping with economic theory, insofar as food stamps reduce the relative price of all foodstuffs and afford recipients greater scope for the purchase of preferred items, whether or not these are "nutritious."

The late M. K. Bennett, long-time Director of the Stanford Food

[5] Joyce E. Allen and Kenneth E. Gadson, *Nutrient Consumption Patterns of Low-Income Households*, U.S. Department of Agriculture, Economic Research Service Technical Bulletin No. 1685, June 1983; David M. Smallwood and James R. Blaylock, "Analysis of Food Stamp Program Participation and Food Expenditures," *Western Journal of Agricultural Economics*, Vol. 10, No. 1, July 1985.

[6] U.S. Department of Agriculture, *Money Value of Food Used by Households in the United States, Spring 1977* (Washington, D.C.: USDA Human Nutrition Research Center, August 1979); USDA, *Food Consumption and Dietary Levels of Low Income Households, November 1977-March 1978* (Washington, D.C.: USDA Human Nutrition Research Center, July 1981).

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Table VII. Percentage of Households Assessed as Receiving Less than 100 Percent of Recommended Dietary Allowance (as determined in 1974) of Caloric Energy: Spring 1977[a]

	Percent of Households			
Money Income Before Taxes, 1976	*Total*	*Central City*	*Suburban*	*Nonmetropolitan*
Under $5,000	23.3	27.1	26.7	22.0
$5,000–$9,999	25.5	25.6	26.1	24.8
$10,000–$19,999	24.3	27.4	22.4	23.0
$20,000 and over	18.4	23.5	17.3	15.6
All Households	23.3	26.1	21.8	22.2

[a] *Source*: U.S. Department of Agriculture, *Dietary Levels: Households in the United States, Spring 1977*, NFCS1977-78 Report No. H-11 (Washington, D.C.: Human Nutrition Information Service, March 1985), pp. 70–71.

Research Institute, argued that deprivation could be adduced from the proportion of "starchy staples" in a diet. Between 1965-66 and 1977, according to the USDA's National Food Consumption Survey, the fraction of "inferior" calories[7] (cereals, tubers, and legumes) fell from 29.7 to 27.4 percent. Interestingly enough, the group with the highest estimated per capita caloric availability—the rural farm population—also had the highest share of "inferior" calories in its diet. It is also interesting to note that the quality of the diet between surveys apparently rose, even as measured caloric availability per capita fell.

Recommended Dietary Allowances (RDAs) are frequently used as a basis for assessing the prevalence of malnutrition in a population. Unfortunately, the method of most such assessments is problematic. Even if accurate, RDAs provide an *average* recommendation. But needs vary—in fact, something like half of any population will need less than the average requirement *by definition*. Failure to appreciate this point can lead to serious problems of data interpretation. In Table VII, for example, over a sixth of all households with 1976 money incomes over $20,000—the equivalent of almost $40,000 today—are estimated to receive less than their RDAs. Such a figure calls into question the meaning of all other estimated RDA shortfalls.

Physical data on nutrition

Nutritional deprivation may also be assessed by physical and anthropometric measures. One of these indicators is the age of menarche for girls. Research has shown that the onset of menarche

[7] "Inferior" refers not to the nutritive value of such foods, but rather to their rankings in consumer preference.

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is affected by the ratio of fat to total body weight, and that below a certain threshold menarche may be delayed or even prevented. For a sample of women born between 1926 and 1944 and surveyed by the National Center for Health Statistics, it appears that nutrition was better for urban than for rural girls: the difference in age at menarche was about four months. In this sample, white urban girls reached menarche about half a year sooner, on average, than black rural girls. By the same token, years of schooling—possibly a proxy for other family circumstances—coincide with differences in age at menarche. Almost half a year separated girls with fewer than five years of schooling from those with some college or more. Age at menarche appears to have been dropping with each generation; the pace of decline may have been more rapid in recent generations for blacks than for whites, but this is not certain.

Table VIII provides further physical data on nutrition: measured caloric intake from a large-scale survey in the late 1970s. It is interesting to note that actual measured caloric *intake* in the 1976-1980 survey was about 33 percent lower than measured caloric *availability* in the 1977-78 USDA survey. (Caloric availability is the food

Table VIII. Estimated Daily Caloric Intake of U.S. Population and Poverty Level Population: 1976-1980[a]

Characteristic	*Percentile Distribution*		
	Mean	*50th*	*5th*
All Males, 6 months–74 years	2,381	2,187	976
Poverty Males, 6 months–74 years	2,214	2,008	771
All Females, 6 months–74 years	1,578	1,493	683
Poverty Females, 6 months–74 years	1,557	1,460	606
Males, 1–2 Years	1,331	1,259	653
Poverty Males, 1–2 Years	1,296	1,234	602
Females, 1–2 Years	1,262	1,170	649
Poverty Females, 1–2 Years	1,359	1,298	632
Males, 15–17 Years	2,817	2,629	1,133
Poverty Males, 15–17 Years	2,547	2,303	906
Females, 15–17 Years	1,731	1,636	710
Poverty Females, 15–17 Years	1,771	1,650	765
Males, 25–34 Years	2,734	2,577	1,213
Poverty Males, 25–34 Years	2,573	2,302	1,090
Females, 25–34 Years	1,643	1,547	677
Poverty Females, 25–34 Years	1,711	1,575	621
Males, 65–74 Years	1,829	1,723	841
Poverty Males, 65–74 Years	1,602	1,495	667
Females, 65–74 Years	12,295	1,221	607
Poverty Females, 65–74 Years	1,223	1,163	464

[a] *Source*: National Center for Health Statistics, *Dietary Intake Source Data: United States, 1976—80*, Series 11, No. 231 (Washington, D.C.: U.S. Department of Health and Human Services, March 1983).

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available to consumers at supermarkets and other food-supply sources after transportation and storage losses). In fact, the level of daily per capita intake indicated for Americans is about the same as the United Nations Food and Agriculture Organization estimates of available food supply in Bangladesh—which should caution us as to the worth of comparisons using these sorts of numbers. As may be seen, mean and median per capita caloric intakes for females below the poverty line were seldom lower than for females of all incomes; often caloric intake for poverty females was measured to be greater.

A final indication of nutritional status may be obtained from National Center for Health Statistics estimates of obesity in the United States based on anthropometric surveys in 1960-62, 1971-72, and 1976-80. The measure used is probabilistic rather than clinical, but it is applied standardly over time. By this measure, the proportion of adults 25-74 designated as obese rose slightly more for black men than for white men, and more for black women than for white women: a greater fraction of adult blacks of both sexes were designated as obese in the late 1970s than was true of whites. Among persons 65-74—a group often feared to be vulnerable to nutritional deprivation—nearly a third were measured to be obese, a higher fraction than for any other adult age group of Americans in the late 1970s. Over 60 percent of black women in this age group were estimated to be obese.

Survey data, in short, do not seem to point to any large pockets of nutritional deprivation in modern America. Does this mean that there is no nutritional deprivation in modern America? Not necessarily; it may only mean that nutritional deprivation cannot be located in America today by sophisticated large-scale surveys. Yet it is well known that despite the increasing efficacy of governmental enumerative efforts, a certain small fraction of the population tends to "slip through the statistical cracks." In 1980, in the most expensive and careful census in our history, it is estimated that a net of 1 percent of the total population was missed. The population undercounted is thought to have been disproportionately black, male, and of working age (25-59).[8] If the undercount provides the "hard core" of unidentifiables, the characteristics of households without telephones may indicate the characteristics of underenumeration in less extensive and less carefully conducted surveys: disproportionately nonwhite, poor, and in households headed by someone young (see Table IX).

[8] Jeffrey S. Passell and J. Gregory Robinson, "Revised Demographic Estimates of the Coverage of the Population by Age, Sex, and Race in the 1980 Census" (Washington D.C.: U.S. Census Bureau, unpublished paper, April 8, 1985).

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Table IX. Percentage of Persons Without Telephones: November 1983[a]

Category	*All Races*	*White*	*Black*	*Hispanic Origin*
All persons	7.2	5.9	17.3	16.4
Householder employed	5.9	5.0	14.3	13.7
Householder unemployed	17.5	15.2	25.4	23.4
Householder not in labor force	7.9	6.2	19.2	19.6
All Households	8.6	6.9	21.2	18.3
1 person	11.4	9.3	28.8	26.2
2–3 persons	6.7	5.5	17.5	19.3
4–5 persons	7.6	6.4	16.9	16.6
6+ persons	13.4	9.5	25.5	19.0
All Families	7.2	6.9	21.2	19.3
Total income under $5,000	20.3	24.3	37.3	41.7
$10,000–12,499	10.3	8.8	18.0	23.2
$20,000–24,999	3.1	2.6	8.8	6.9
$30,000–34,999	1.2	1.0	4.9	2.3
$50,000–74,999	0.6	0.5	1.5	0.4
All households	8.6	6.9	21.2	19.3
Households 16–24 years old	23.4	19.8	50.1	35.1
Households 25–54	8.5	6.6	21.3	18.2
Households 55–64	5.0	3.9	13.7	10.7
Households 65–69	4.5	3.5	12.5	9.3
Households 70+	4.6	4.0	8.9	14.5

[a] *Source*: U.S. Bureau of the Census, unpublished data.

Prosperous paupers

In a sense, social policy may be judged to have reached its limits in the quest to "end hunger" in modern America. Those who can be identified do not seem to suffer pronounced nutritional deprivation; those who may suffer nutritional deprivation are not (perhaps cannot be) identified—and therefore cannot be helped.

What can be said about economic and material poverty in the United States today? A number of points may be emphasized. First, it seems likely that the poverty index, by its method of construction, has been biased upward, and may have have been biased increasingly upward over time. Between 1973 and 1983 it actually seems to move in the opposite direction from some important physical indicators of well-being, such as death rates. Second, changes in family structure in the United States—and in particular the rapid rise in illegitimacy—have disturbing implications for the well-being of children, who are perhaps the country's most vulnerable group; physical measures of poverty—including mortality rates—capture and reflect some of these risks. Third, by material measures of health and nutrition, it seems incontestable that if there is said to be more "poverty" in the mid-1980s than in the early 1970s, this "pov-

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erty" today is less physically harsh and punishing. The condition of the poor, in this sense, has definitely improved.

But the results of American social policy over the past generation, for all the importance of these physical successes, do not immediately excuse the government or the public that sustains it from the criticism that we have, in eliminating physical poverty, created in our midst a class of prosperous paupers. The term "pauperism" is lost on the modern ear, but its meaning, as given by the *Oxford English Dictionary*, is specific: "dependence upon public relief, as an established condition or fact among a people."

There is less physical poverty in the United States today than there was a generation ago. Yet just as certainly there is surely, in some meaningful sense, considerably more pauperism in the nation. The quest to end poverty in the postwar era has been the scene, simultaneously, of material triumph and social—one might even say moral—failure. This dilemma must inform any assessment of America's progress in its fight against poverty over the past generation, and should be squarely faced in discussions about U.S. social policy for the future.

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American competitiveness—do we really need to worry?

RICHARD B. McKENZIE

NO MATTER HOW it is measured, America's balance of international trade has deteriorated dramatically during the 1980s. Few analysts think that it will improve in the near future; some predict that large (if not progressively larger) trade deficits will linger into the 1990s. Most Washington policy pundits worry that the country's worsening trade balance signals a degeneration of the country's "competitiveness," the new Washington buzzword made so prominent by the Reagan administration that it is sometimes called the "C-word" in Washington policy circles.

Many policymakers also fear that the presumed loss of America's preeminence in world trade is not transitory and self-correcting through normal market forces. Rather, they say, the trade deficit, still expanding in the late 1980s, presents important evidence of a fundamental weakness in the American job machine—in America's capacity to cope with the ongoing structural changes in the economy and to compete effectively with foreign industry. "Getting more Americans to realize that it pays to make things in the U.S. is the heart of the competitiveness issue," concludes a *Business Week* reporter after surveying the dimensions of the competitiveness debate. Stephen Cohen and John Zysman, who direct the University of California's Berkeley Roundtable on International Economy, tell us that no matter how it is measured (but especially when measured by the trade deficit), "American industry confronts a severe problem of competitiveness, which it has never known before. Each

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measure has its limitations and can, perhaps, be explained away, but taken together they defy dismissal and portray a serious long-term problem."[1]

Following this media drumbeat, many policymakers have concluded that the country's economic salvation lies in interventionist policies, including greater government expenditures on research and development, remedial education, and job retraining, all of which have been enthusiastically endorsed by the Reagan administration. At the same time that they bash Japan for its unusually large contribution to U.S. trade woes, many policymakers recommend that the United States become more like Japan, both in terms of the personal attributes of our labor force and the content of public policy. Only by eliminating the federal budget deficit or by erecting stiff trade barriers, they tell us, can America hope to compete effectively in world markets.

Accordingly, pushed by a variety of labor and business interest groups, members of both the Reagan White House and the 100th Congress have readied their own legislative agendas on trade reforms. "To the trade professionals, competitiveness is a buzzword," comments a trade lawyer. "For the Democrats, it's a way to say, 'We're not protectionists,' as they write their protectionist legislation. For the Republicans, it's a way to say, 'We are not single-minded free traders.'" Political leaders have juxtaposed the C-word itself with various indices of large trade deficits in order to cast a favorable light on politically-inspired restrictions on competition. Senator Lloyd Bentsen, for example, an ardent advocate of protectionism, confidently declared that the 100th Congress is "going to pass [trade legislation] and put [a measure] on the President's desk with him or without him."

Before more people join the competitiveness bandwagon, and recommend higher taxes or greater protectionism, they should try to understand the nature of the "trade deficit," both as a concept and as a statistical construct.

When understood as a statistical artifact, subsumed within the overall balance of *payments*, the balance of *trade*—even when in deficit—is not nearly so revealing of the country's competitiveness as has been widely assumed. Indeed, there are good conceptual reasons for believing that the trade deficit that emerged in the early

[1] Stephen S. Cohen and John Zysman, *Manufacturing Matters: The Myth of the Post-Industrial Economy* (New York: Basic Books, Inc., 1987), p. 61. The authors are especially concerned that key manufacturing industries, which they believe are vital to the future health of the U.S. economy, are in serious decay.

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1980s mirrors, at least partially, a growing competitiveness within the domestic economy that was only fortified by the growing international aggressiveness of firms in other countries.

The magnitude of the trade deficit

The presumed trade problems of the United States are measured in several ways, but the most easily understood measure is the balance of merchandise trade, which covers only U.S. exports and imports of goods. In 1981 the United States had a modest trade surplus of nearly $12 billion, measured in 1986 dollars. By the following year, the trade balance on exports and imports had switched to a deficit of under $9 billion in constant (1986) dollars. By 1986, however, the merchandise trade balance had grown in real terms by an estimated 1500 percent, to a whopping deficit of more than $146 billion.

During the 1982-1986 period, the trade deficit also grew substantially, relative to the real gross national product (GNP). In 1982, the deficit was just about .2 percent of GNP; in 1986 the deficit represented slightly less than 3.5 percent of GNP. Other measures of the deficit in goods and services grew both absolutely and relatively in concert with the merchandise trade deficit.[2]

Does the United States face a competitive crisis? Commentators considering the raw trade figures certainly think so. The country has indeed had persistent trade deficits in its history—for example, in the late 1960s and early 1970s—but never so large as the ones reported in 1984 through 1986. The deficit in 1986 was, in real terms, more than four times the size of the previous peak deficit in 1977. Nevertheless, an answer to the competitiveness question is not so clear as might be imagined on first appraisal of the deficit record. The answer depends on how the export and import data are viewed.

Taken by itself, the trade deficit can be misleading because it is the *net* of exports and imports. The total rise in the deficit in the 1980s might, arguably, have been due only to a fall in exports. A drop of about $160 billion in exports between 1982 and 1986 would unquestionably have been a major policy concern, since it would have meant a virtual collapse (more than a 70 percent reduction) in exports during a four-year period. In fact, however, the rapid rise in the trade deficit between 1982 and 1986 was actually due to a combination of export and import forces. Real imports grew by

[2] The deficit in goods and services and in current accounts tended to be lower in all years than the deficit in merchandise trade. This was generally because of the net inflow of investment income and the surplus in trade of services.

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52 percent between 1981 and 1986, while real exports fell by slightly more than 13 percent.

Obviously, some exporters were being outcompeted in foreign markets, but focusing on exports and imports, instead of on the *net* of the inflows and outflows of goods, is important for two reasons. First, the shift in imports relative to exports could largely be explained by a relatively more rapid rate of economic growth in the United States. In fact, after inspecting the data on the relative growth of aggregate demand in the 1980s, President Reagan's Council of Economic Advisors recently concluded that

> total demand grew much more rapidly in the United States than in other countries during the first six quarters of the expansion (through mid-1984). Since then, differentials between U.S. and foreign demand growth have narrowed considerably, but a large cumulative gap in domestic demand growth remains. This gap reflects the fact that the current recovery of U.S. domestic demand is one of the strongest of the postwar period. It also reflects the fact, however, that the recovery of domestic demand abroad has been one of the weakest.

Clearly, the Reagan economists have political reasons for emphasizing the importance of the relatively faster growth rates of domestic demand in the United States than in other countries. Yet they actually managed to underplay its importance in explaining the downturn of U.S. exports. The growth in U.S. demand has, as recognized, led to an expansion of imports, because more foreign resources have to be bought in order to produce more domestic output. In addition, more foreign goods will generally be bought with the rise in domestic income. But the growth in domestic demand has also impaired the U.S. economy's exporting capability, because it has pulled resources away from export production.

Seen from this perspective, the balance of trade deficits could have been moderated. Without an expansion of foreign demand, however, correction in the balance of trade would have called for a reduction in domestic demand. This, in turn, would imply a lower rate of growth in domestic production, lower income, and higher unemployment at a time when unemployment rates were already high by historical standards—hardly a means of improving domestic competitiveness.

In addition, between the late 1970s and 1985 the U.S. dollar appreciated in value more than 30 percent against a trade-weighted index of fifteen other currencies. This means that U.S. exporters were facing stiffer price competition in foreign markets during this period. Given the rise in U.S. export prices in foreign markets and the relative rise in U.S. domestic demand, it is somewhat remark-

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able that U.S. exports did not drop by more than 13 percent in this period, and that they actually increased gradually after 1983. One reason exports did not fall by a greater percentage must be that many U.S. exporters became more aggressive—more competitive, not less so. Such improvement in the competitiveness of American industries has been reflected in significant reductions in their production costs.

The rapid appreciation of the dollar meant a sharp decrease in import prices, which, of course, caused competition problems for several domestic industries. U.S. firms had to defend their market positions against lower-priced foreign goods—but at the same time most U.S. industries were *not* being pushed out of their markets. The sales and employment levels in most U.S. industries continued to rise, while contracting in only a few cases. On balance, once the recovery from the recession of the early 1980s had begun, industrial production and manufacturing output rose. Furthermore, during this period most domestic industries competing with importers demonstrated their ability to hold their own against competition that was toughened by an adverse shift in the exchange rate; this outcome argues against the systematic crippling of the competitiveness of American industries.

It is not surprising that the post-1984 trade deficit continued to expand when the dollar began its precipitous decline, which was generally still underway in 1987. When the dollar falls rapidly, the prices of U.S. imports rise and the prices of U.S. exports fall. Because trading channels can never adjust as rapidly as prices, the dollar value of imports rose at the same time the dollar value of exports fell, widening the export-import gap. However, once producers in the domestic and foreign markets have sufficient time to adapt to new exchange rates, the trade gap can be expected to narrow. Will it disappear? That is unclear, but whether it does or not is fundamentally unimportant.

Even if we could agree that the balance-of-trade statistics indicate a decline in the nation's ability to compete, we must wonder why the country's competitiveness fell so precipitously after 1981. The dollar's rapid appreciation on international money markets coincided with the appearance of rising trade deficits, but this high correlation between the dollar's appreciation and the trade deficit ought to make us wonder about the source of the trade gap. A rising U.S. demand for imports caused by either a slack in U.S. competitiveness or a greater aggregate demand in the domestic economy could not be the culprit, since it would imply a depreciation—not

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an appreciation—of the dollar. Hence the causes of the balance-of-trade deficit in the first half of the 1980s must be found elsewhere in the country's international transactions—namely, in the little appreciated "balance-of-capital account," to be discussed later.

Bilateral trade follies

Discussions of the impact of trade deficits never become more misguided than in treatments of U.S. bilateral trade with identified countries—particularly Japan. In 1986, the U.S. trade deficit with Japan was approximately $60 billon—a figure that many presume can be readily corrected by the imposition of tariffs and quotas on U.S. imports from Japan. We forget that Japan employs the dollars received from its bilateral surplus with the United States to buy goods and services from other countries around the world; these countries in turn use the dollars received from the sale of their goods to Japan to buy goods from the United States.

Once this point is recognized, solutions to U.S. bilateral trade deficits become harder to envisage. Efforts to restrict U.S. imports from Japan, or for that matter from anywhere else, can throttle U.S. exports. The trade deficit with Japan, or with all other countries of the world, might be marginally improved by protectionist measures, but U.S. competitiveness certainly would not be. Restricting the use of less costly Japanese items would increase the cost of U.S. goods and thus reduce the demand for U.S. goods—in Japan and everywhere else.

The United States is a much larger country in terms of population, income, and wealth than almost all of its principal trading partners—a fact often overlooked in discussions of bilateral trade deficits. Its greater size and wealth mean that the United States buys more goods from many of its trading partners simply because it has more people with higher incomes to do the buying. Robert Mottice, an economist for the National Association of Manufacturers, explained this point with unusual clarity. He noted that in 1985 the United States had a $5 million merchandise-trade deficit with Comoros (yes, there is such a country), but he pointed out the absurdity of thinking that the deficit indicates the relative competitiveness of the two countries:

> Comoros is a tiny nation, both in terms of population and wealth. There is only one Comoran for every 480 Americans, and the U.S. per-capita gross national product is 40 times that of Comoran per-capita GNP. If every American spent a mere $2 a year on Comoran products while every Comoran spent his entire income on American goods, the U.S. would still have a trade deficit with Comoros.

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If it makes any sense at all to compare bilateral trade deficits, the comparisons should at least be reduced to per capita spending on foreign goods as a percentage of per capita income.

If the United States were truly uncompetitive with other countries, Americans would have spent a higher percentage of their incomes on foreign goods in 1985 than foreigners spent on American goods. Aside from the Japanese, however, foreigners spent a greater percentage of their incomes on U.S. goods than Americans did on foreign goods. The percentage gap between Japan and the United States was relatively modest: 1.81 percent for Americans versus 1.70 percent for the Japanese. On the other hand, the percentage gaps for all other countries was rather dramatic. Americans spent 1.74 percent of their per capita income on Canadian goods, for example, whereas Canadians spent 14.26 percent of their per capita income on American goods. Even the Taiwanese, who supposedly are "blessed" with a competitive edge due to their low-wage labor, spent eighteen times the proportion of their income on American goods that the Americans spent on theirs.

The overlooked capital-account surplus

Policy commentators often discuss U.S. international trade flows in goods as if these were the only meaningful transactions in the nation's balance of international payments. This is hardly the case, of course, but it does permit policy discussions to proceed as though there were an overall deficit. A deficit cannot exist in the context of the entire balance of payments, however. Because of double-entry bookkeeping methods employed in recording international transactions, the (full) balance of payments must balance. An import entry in the trade account of the balance of payments, for example, must be exactly offset by another entry somewhere else in the balance-of-payments accounts. If this entry is not made with an export, then it may be made with a capital flow, a part of the capital account (itself a subsection of the full balance of payments).

Double-entry bookkeeping is used to accommodate the unbreachable principle that trade is a two-way exchange. What is bought from abroad by Americans or from the domestic market by foreigners must be paid for in some way—either dollars, other goods or services, securities, or trade credit (or some combination of these payment methods).

Recognizing the double-entry nature of the nation's international books makes two points evident. First, a trade deficit must be offset by a surplus in some other balance-of-payments account. As a matter of fact, the United States had a sharply rising capital-

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account surplus beginning in 1982, the same year the balance of merchandise trade deficit surfaced. Furthermore, as expected, the merchandise trade and capital account balances moved between deficits and surpluses in almost identical countercycles throughout the period.[3]

Second, the data on trade and capital balances say nothing about causation. Policymakers who worry about the trade deficit seem to believe that trade deficits are directly caused by increases in imports or reductions in exports. This convinces some observers that the deficits are due to the growing (relative) aggressiveness of foreign producers who are able to outcompete American producers in both foreign and domestic markets. From this perspective, the trade deficit is seen as the major (if not the only) cause of the capital-account surplus—not as its effect. Americans buy more from foreigners than foreigners buy from Americans, inadvertently leaving foreigners with more dollars than they can use on American goods. Foreigners then store the dollars (practically by default) in American bank accounts, in securities, or other forms of capital inflows.

But the causal connection between the trade- and capital-account balances is hardly so neat and self-revealing. Clearly, foreigners do sell goods to Americans and do hold on to some of the dollars they receive in exchange, but those dollars must also be valued and demanded by foreigners; otherwise, they would not give up their valuable goods for unwanted dollars. Both parties must value the things received in exchange, or else there would be no exchange across national boundaries—at least, not on a continuing basis.

Once that obvious point is acknowledged, it is an extraordinary leap of perception for observers to conclude that the trade of foreign goods for U.S. dollars is motivated exclusively by the Americans' demand for foreign goods. It could just as forcefully be argued that the exchange is motivated by the foreigners' demand for American dollars—which can reflect their demand for U.S. cash balances, securities, or future goods and services.

This line of argument is elementary but crucial to an appreciation of just what trade deficits do—or more accurately, do not—tell us about the competitivenes of the U.S. economy. Indeed, the argument casts considerable doubt on the proposition that the U.S. merchandise-trade deficit reveals a lack of competitiveness among Americans. While the trade deficit does indicate that Americans find foreign goods attractive and competitive, it also indicates that foreign-

[3] The reason the two account balances do not exactly offset each other is that several transaction categories, mainly services and remittances, are left out of the trade balances.

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ers find something—cash, securities, physical assets, or future goods and services—attractive in the United States (and competitive with the offerings of their native lands).

Whether the foreign goods are absolutely *more* attractive to Americans than American cash and securities are to foreigners cannot be determined because the relative (subjective) values to the different people involved in the exchange cannot be measured. In addition, the question of relative attractiveness is irrelevant. What is important is that the exchange made across national boundaries is mutually beneficial to the people involved.

The problem of assessing the relative competitiveness of Americans solely with reference to the balance of merchandise trade is made more difficult when it is understood that all Americans—goods producers as well as security brokers—actually compete with one another for the dollar claims held and obtained by foreigners through the sale of their goods and services in the United States. Domestic goods producers are often thought to compete directly with their counterparts in other countries for domestic and foreign sales. When U.S. imports rise, exports fall, and trade deficits result, this perception of international competition makes it appear that U.S. goods producers have been outcompeted, on net, by their foreign counterparts. However, U.S. goods producers are also in direct competition with U.S. security (and physical-asset) brokers in the domestic markets. Both U.S. goods producers and security brokers seek to outcompete each other by offering better deals to foreigners for their dollars.

A trade deficit may emerge simply because American security brokers have offered foreigners a better deal on the securities they have to sell than American goods producers can offer. The foreigners, therefore, use the dollars earned on the sale of merchandise exported to the United States to buy U.S.-created stocks and bonds (or physical assets), not U.S.-produced consumer or investment goods that can be transported abroad.

Alternatively, because of the relatively greater attractiveness of the U.S. security deals, foreigners may be encouraged to sell more goods in U.S. markets, just so they can buy a greater number of U.S. securities. However the capital inflow originates, the more competitive U.S. security brokers, offering improved deals on U.S. investments, can cause a rise in foreigners' demand for U.S. dollars. This leads to an appreciation of the dollar on international exchange markets and, in turn, to more attractive prices for foreign goods in U.S. markets and less attractive prices for U.S. goods in foreign

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markets. In the process, economic life may be made more troublesome for U.S. export and import-competing industries, but trouble for the noncompetitive is endemic to market competition.

The principle is straightforward. The shift in the relative attractiveness of U.S. goods in international markets may *appear* to be due to deteriorating U.S. competitiveness or (what amounts to the same thing) improving foreign competitiveness. In fact, the shift in relative competitiveness may be entirely the result of factors within the United States—among American producers.

The presumed loss of jobs and control

It may be understood that the troubles of U.S. goods producers can have their source in the attractiveness of U.S. investment. Yet the fear may linger that the U.S. capital-account surplus implies a loss of jobs in the U.S. economy and a takeover by foreigners of the country's productive and financial assets. While this fear of a foreign takeover of the economy cannot be summarily dismissed—foreigners do not, after all, always have the same economic, cultural, and national objectives as Americans—such a fear of a foreign takeover is grossly exaggerated. Most foreign investors—for example, Canadians—have economic motives for their investments that are the same as Americans'. Many are just as inclined to use their control in American firms to further their private (and not their national) economic interests as are Hawaiians.

Furthermore, it is not at all clear that the United States would be economically stronger, more vibrant, and more independent if exports of real goods—trucks and looms, for example—were substituted for the export of financial assets—such as stocks and bonds. When foreigners buy stocks and bonds, they do have some limited control over U.S. productive assets. However, when they buy U.S. trucks and looms, they also have some limited control over U.S. productive assets. The principal difference is that when foreigners buy U.S. stocks and bonds, only a few sheets of paper are exported; the real productive assets remain in the United States to be used to produce other things in this country. If only because of their location, the United States retains considerable control over the productive assets partially or totally owned by foreigners. Conversely, when foreigners buy U.S. trucks and looms, the U.S.-produced assets are lifted out of the country, and U.S. control over them is relinquished.

Foreigners investing in this country decide (implicitly or explicitly) that keeping the assets here is more productive than trucking, shipping, or airlifting them abroad. That is, they decide that the

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assets can be more competitively employed in the United States than in their own country or in another country. By the same token, artificial inducements to promote exports from the United States would amount to a concerted effort to restrict foreign investment in the United States; artificial inducements to restrict imports would shift productive assets to less productive national venues.

Capital surpluses and trade deficits, revisited

An important implication of the foregoing discussion is that one source of the trade deficit is the dramatically rising capital-account surplus of the early 1980s. This is true because the rising trade deficit was accompanied, at least until 1985, by an appreciation of the dollar. A simple increase in import demand in the United States would have caused the dollar to depreciate.

A major source of the capital-account surplus was the precipitous decline in U.S. capital *outflows*. While capital inflows into the United States actually changed very little, capital outflows from the United States fell, in constant 1986 dollars, from $140 billion in 1982 to $25 billion in 1984, a drop of 82 percent.[4] After 1984, both inflows and outflows of capital began to expand. Inflows expanded more rapidly than outflows, however, resulting in a growing capital-account surplus—and a growing trade-account deficit.

The locus of the nation's trade woes in the 1982-1985 period can, therefore, be found in the drop in U.S. foreign investment. Two important forces affecting U.S. capital outflows are especially worth mentioning. In the early 1980s, a number of underdeveloped countries, including Mexico and Brazil, began to face a debt crisis, raising the specter of default; no doubt this caused many U.S. investors to reappraise the risks of foreign investment and to cut back.

In addition, the U.S. economy began to develop more rapidly after 1982, partially in response to the 1981 tax-cut package that intentionally favored domestic investment (through more generous capital-depreciation schedules for computing taxes), and partially through a rise in the rate of growth in money stock orchestrated by the Federal Reserve. Both of these explanations suggest, however, that the capital-account surplus and the trade-account deficit were produced, in general, by a growing *relative* competitiveness of U.S. industries.

As noted above, many policymakers worry that a trade deficit accompanied by a capital surplus leads to a reduction in U.S. jobs.

[4] Capital outflows include all U.S. investments in foreign assets and securities; capital inflows include all foreign investments in U.S. assets and securities.

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While it may be true that identified labor markets (steel, for example) may be hurt, it does not follow that national employment suffers. This is because foreign investments in the country are not simply financial; they are real in the sense that they affect the demand for, and supply of, goods and resources. Just as demand for foreign exports can lead to more employment because more goods are needed to satisfy domestic demand, so too can foreign capital demand translate into more employment because more goods are needed (in construction, for example). The elimination of the trade deficit, accordingly, would mean the elimination of the capital surplus, resulting at best in a shift in national employment among U.S. industries, not an enhancement of total U.S. employment opportunities. If the trade deficit were "corrected" by trade barriers, as many have recommended, the logical long-run consequence would be a deterioration of aggregate employment opportunities. Mutually beneficial exchanges would be missed and national income would, in the aggregate, fall.

A tale of two deficits: the tenuous connection

Despite strident insistence to the contrary, the rise in the trade deficit cannot be attributed solely to the budget deficit. Proponents of this line of argument maintain that there is a theoretical sequence of connections between the budget deficit and the trade deficit. The annual budget deficits of more than $200 billion experienced during the Reagan years increased the demand for loanable funds and contributed to a rise in real interest rates, which, in turn, pulled in more foreign investment and led to an appreciation of the dollar on international money markets. This appreciation of the dollar increased U.S. export prices in foreign markets and lowered import prices in the domestic market.

Real interest rates in the United States did move upward along with the budget deficits through 1981. But the conventional wisdom that large federal budget deficits *caused* higher real domestic interest rates overlooks the fact that between 1981 and 1986 real interest rates in the United States were falling, while the budget deficit continued to expand. These important facts cast doubt on the *strength* of the link between the trade and budget deficits, even if such a link seems statistically significant.

In addition, the presumed link between trade and budget deficits suggests that the trade-deficit problem could have been avoided by the elimination of the federal budget deficit (through a tax hike or the defeat of the 1981 tax-cut package). Supposedly, a tax hike would have lowered the federal deficit, reduced the government's

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demand for loanable funds, lowered real interest rates, and reduced net capital inflows.

There are two problems with the tax-hike solution. First, it assumes that a tax hike would have cured the deficit problem, which may not be the case at all, given Congress's proclivity to spend whatever revenues are received. Second, while a tax hike would have reduced the demand for loanable funds from the federal government, it would also have decreased the supply of loanable funds through a reduction in people's disposable income and savings. It is not at all obvious that real interest rates would have been materially different had there been a wholesale elimination of the deficit, given the propensity of the federal government to spend.

This latter point leads to the suspicion that the source of both deficits may be partially, if not totally, attributed to the growth in federal expenditures—a fiscal trend established during the Carter presidency and continued under Reagan. Federal expenditures have continued to grow in both absolute real terms and as a percentage of gross national product during the Reagan years. Regardless of how they are financed, federal expenditures drain resources from the private sector, effectively containing the ability of American producers to expand private production with domestic resources alone. The federal growth in expenditures, not simply budget deficits, can thereby induce an expansion of imports and a contraction of exports, thus contributing to an increase in the capital-account surplus.

The confusion over competitiveness

The United States is often engaged in direct conflict and competition with other countries around the world. It has a notorious conflict of interest with the Soviet Union, Iran, and Libya, to name just three countries. With other aligned and nonaligned countries, the United States competes in terms of military might and influence. Conflicts with the Soviet Union, for example, are appropriately viewed as "national" problems because, to a greater or lesser degree, collectively established goals are at stake. But the overwhelming bulk of international trade is a matter neither of national goals nor of collective means. International trade is, for the most part, the consequence of individuals', not nations', voluntarily acting alone and with others. If there is any international competition involving the United States, it is competition among *people* in the United States and between *people* in the United States and *people* in the rest of the world.

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Herbert Stein, former chairman of the Council of Economic Advisors, succinctly captured my central point when he noted that the U.S. trade deficit is a "metonymy," a figure of speech that conveys an idea by association but cannot be taken literally. People speak of the New York Mets' winning the World Series, suggests Professor Stein, when, in fact, they realize that a group of men who play for the Mets' organization actually won the Series. Similarly, people loosely talk of the United States running a trade deficit when, in fact, all fully understand that countries do not run trade deficits—people do. It is people who actually do the buying and selling in foreign markets—almost always to their mutual advantage.

While admitting that verbal precision was never the central object of his comments, Professor Stein goes on to ask "why any of us should worry about this particular statistic [the trade deficit], and why the U.S. government should take any responsibility for it. The people who have the trade deficit—who are buying more abroad than they are selling—are doing so voluntarily. If they were worried much they would stop. I had a trade deficit in 1986 because I took a vacation in France. I didn't worry about it; I enjoyed it."

Unfortunately, in policy discussions "trade deficit" has been juxtaposed with discussions of the country's "competitiveness" so often that far too many people have begun to assume that international trade is some kind of ongoing Olympic event in which the United States is losing. Knowing little about balance-of-payments statistics, people imagine the trade deficit to be an official count of medals awarded for individual events, when, in fact, the *country* is not competing with other countries in any real sense.

There is little that government can or should do directly to correct the country's "trade deficit" and the country's "competitiveness." Protectionism hardly corrects the country's—meaning individuals' and firms'—competitiveness. Competitiveness is, fundamentally, the ability of people to outwit, outmaneuver, and outproduce market rivals. And protectionism does absolutely nothing to improve the ability of Americans to do so. Instead of fostering competition, protectionism obstructs it. And it reduces the long-run incentives of Americans to learn how to compete more effectively in a global marketplace. Competitors, whether in sports or in business, do not advance their skills by shackling their rivals.

Comparative advantage and competitiveness

Firms and *industries* can become more competitive, but not countries. Countries can change policies that influence the produc-

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tivity and total output of industries, but it is firms and industries, not countries, that compete with their rivals.

The problem of "American competitiveness" as a national phenomenon can be understood only by realizing that absolute levels of productivity of individual firms or industries have nothing directly to do with their ability to export and/or fend off import competition. Since the early nineteenth century (the days of David Ricardo), economists have understood that what matters in determining the direction of trade across national borders is the structure of comparative —not absolute—advantage of industries *within* countries. That an industry in one country is more productive than the same industry in another does not imply that the former industry will have a comparative advantage over the latter industry—i.e., that the former will not have to face foreign competitors. It may suffer from the movement of capital and resources to other, more profitable sectors of the economy, which may or may not be export-oriented.

The point is that government policies designed to improve the productivity of all sectors of American business will not insure that all will be in a better position to compete in international or domestic markets. An even, across-the-board improvement in all sectors may simply upgrade the productivity of all industries—which could lead to more imports and exports.

Should policymakers and political leaders be concerned about the competitiveness of American industries? Of course. Improvements in the living standards of Americans are contingent upon increases in productivity and the aggressiveness of product and resource markets. Politicians must constantly evaluate the nation's policies—taxes, expenditures, and laws—to determine whether they obstruct the ability of Americans to compete. Competitors need the opportunity to compete, which means the freedom to find their own way in markets, unconstrained as much as possible by external controls and directions.

But the ambiguity of "competitiveness" magnifies its political attractiveness. It offers many political leaders a verbal banner around which they believe they can unite a collection of habitually squabbling factions. The vagueness of the term, however, may also attract those who want to restrain competition in U.S. markets so as to advance their private economic interests at the expense of the general population. Proponents of protectionism have already succeeded in making many voters believe that the trade deficit is a *national* problem subject to direct *national* remedies. Unfortunately, their proposed solutions are really the antithesis of pro-competition policies.

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The elusive pursuit of toxics management

DANIEL MAZMANIAN & DAVID MORELL

THROUGHOUT THE 1980s, America has struggled to manage its hazardous wastes safely in a growing climate of public fear verging on chemophobia. Each new discovery of an abandoned hazardous waste dump—ranging from the larger ones at Love Canal (in Niagara Falls, New York), the Valley of the Drums (in Kentucky), Price's Pit (in New Jersey), and the Stringfellow Acid Pits (in California), to the thousands of smaller old dumps and leaky surface impoundments across the nation—has riveted public attention and intensified pressures for rapid cleanup. Each new discovery of contaminated groundwater has fanned fears about the safety of our drinking water supplies. Each new leaking underground storage tank, highway spill, or industrial release of toxic air contaminants has produced newspaper headlines and television news broadcasts. From Bhopal, India to our own backyards, the threat is seemingly real and ever present, and the prospects appear more frightening still.

Federal, state, and local politicians have attempted to respond, producing much new and amended legislation that cannot easily be implemented, even by multiple administrative bureaucracies. Current federal law alone now includes the Resource Conservation & Recovery Act (RCRA), its Hazardous & Solid Waste Amendments (HSWA), and the Hazardous Materials Transportation Act (HMTA), which

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regulate and track hazardous wastes; the original Superfund and its Amendments and Reauthorization Act (SARA), which attend to the cleanup of abandoned waste sites; the Clean Air Act (CAA), the Clean Water Act (CWA), the Safe Drinking Water Act (SDWA), and the Occupational Safety & Health Act (OSHA), which regulate many toxic pollutants released into the workplace or environment; the Toxic Substances Control Act (TSCA), which regulates production of certain chemicals; and several pesticide control statutes. Many states have followed suit, several going beyond the scope of federal statutes. Yet few if any of these laws have lived up to their promise, or even come close to doing so.

The initial challenge was to protect the environment and the populace, by ensuring that toxic wastes were disposed of in tight containers and secure landfills. In many ways, the solutions proposed were a direct extension of earlier top-down regulatory experiences with air and water pollution. Federal technical standards were set by the Environmental Protection Agency (EPA); program implementation responsibilities were delegated to the states; permits were issued; and business continued pretty much as usual. In cleanup, studies were more prevalent than engineering action: wastes were excavated from one leaky dump site only to be placed in another.

As it became evident, however, that the toxics issue did not involve simply disposing of wastes, but instead required waste treatment and the management of hazardous chemicals, attention began to shift to tougher questions about the fundamental nature of America's chemically-based industrial society. Comparative economics and investment decisions dictated the slow pace at which these regulatory laws were implemented. The result, over the past decade, has been a rapid escalation of policy that has often been hard to follow, with legislation and conceptual thinking racing to keep pace with growing political pressure.

Dealing with the toxics problem

From one perspective, both government and business have failed to deal adequately with the toxics problem. The goals and rhetoric of many statutes—which were designed as much to palliate citizen pressures as to define optimal public policy—far exceed the implementation abilities of the EPA, state environmental or health departments, and local and regional governments. Superfund laws are passed, but only a handful of sites (out of several thousand) are actually cleaned up. Groundwater monitoring regulations are complied with only 20 percent of the time. More stringent regulations

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applied to toxic-waste sites and treatment facilities lead to closure of many old facilities, but very few new ones come on line to replace them. The result, almost inexorably, has been growing public frustration over government's failure to deal effectively with the toxics issue.

The private sector has fared no better. Proposed facilities remain without funds or go unbuilt even after approval. Those treatment facilities that have been built remain underutilized in the face of still cheaper landfills. Promises of further action are made, but not kept. Despite the laws, toxic spills and accidents seem only to increase in frequency.

In the midst of this escalating pattern of sequential failure, however, we have learned a good deal about appropriate responses. While the overall approach has been characterized by fits and starts and internal contradictions, in retrospect we can see signs of a rather dramatic and rapid evolution of thought—and even action—in this important policy arena.

In America, government responds only when prodded by overwhelming evidence of a problem. Even then we act cautiously and incrementally to establish some sort of regulatory system. Despite the sequence of failures noted above, the toxics policies of the 1980s might also, ironically, be judged a success. Less than a decade ago, before Love Canal, the toxics problem had no place whatsoever on the policy agenda. Today we have laws on the books that call for monitoring toxic materials from cradle to grave; for testing, certifying, and regulating their use; and, under RCRA, for banning the land disposal of untreated wastes. We have a nine-billion-dollar Superfund law, and new controls over nearly all aspects of toxics use. Several states have gone even further in toxics control. In many ways this is an impressive record of legislation concerning the regulation of hazardous wastes and hazardous materials.

Yet all this rapid policy evolution has itself been swept up in the maelstrom of events that have made many of the statutes in question either irrelevant or infeasible. Suddenly, policymakers are demanding source reduction, and ignoring questions of capacity for disposal or even for waste treatment. Faced with an unknown but enormous potential for industry to generate less waste, however, investors become even less willing to put forth the capital needed to build the new treatment or disposal facilities. Source reduction, while desirable on its own merits, is thus beginning to overwhelm earlier, partly successful policy responses to the hazardous waste dilemma.

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New challenges

The new challenge to policymakers is to find ways to manage toxics without becoming immersed in the operations of hundreds of thousands of business firms across the nation that use these materials daily. The detailed regulatory controls now being vociferously demanded by some are simply impractical. The public's clamor for "zero risk," though perhaps understandable, just cannot be satisfied. Indeed, such demands are inconsistent with industry's plea for greater regulatory certainty, based on acceptable toxic-release levels. The stage is thus set for escalating confrontation, unless a greater understanding of competing interests and political and technical capabilities can be reached, and can culminate in cooperative political action.

Few policymakers have come to grips with these new realities. Even those who have begun to do so have not called attention to their truly radical implications. Nevertheless, in bellwether states such as California, New Jersey, and Minnesota, and to some degree in the federal government as well, policymakers have begun to recognize the need to go beyond inadequate conventional approaches to policy formulation, design, and implementation. Indeed, some are now thinking about the entire issue of hazardous wastes and hazardous materials in wholly new ways. Development of a successful policy, consequently, though still uncertain, is now at least imaginable.

Indicative of the rapidity of events and the growing anxiety of the public is a radically new approach to the toxic-materials issue now being tried in California. There a policy was directly adopted by the electorate via referendum, in a kind of "toxics populism" responding to all the regulatory failures. The Safe Drinking Water and Toxics Initiative of 1986 was approved by a two-to-one margin by the state's voters in November 1986. Under its provisions, business cannot knowingly discharge any amount of any chemical known to cause cancer into sources of drinking water. With this bold stroke, the burden of proof was shifted to industry and business, which must show that their discharges pose no significant health risk.

The unmet challenge of effective hazardous-waste management, in other words, is being eclipsed by an even broader call to safely manage all toxics throughout the economy. Unless this policy is carefully orchestrated locally, multiple reporting requirements for industry, different inspections of the same facilities, and numerous fees collected by different agencies to pay for all of this will cause

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enormous disruption. Government agencies are already finding the mass of different laws nearly impossible to implement; industry finds it difficult to comply with all of them; and the general public finds the whole process incomprehensible. As a result, public credibility and trust remain low, and fear remains high, despite the fact that these very laws reflect a swift and broad-gauged political response to earlier demands made by the citizens themselves.

Four phases

Through the myriad of issues, initiatives, and different directions characterizing toxics policymaking in the past decade, one can discern four distinct phases. The four phases can be viewed as ever-escalating strategies, in which each approach responded to previous failures to remedy perceived problems; the phases were in fact fairly predictable responses, in view of the traditional American reaction to policy failures. Understood in this light, the rapid escalation of toxics policy has much greater coherence than might be thought. By recognizing the broad contours of the four phases, we hope both to place both the apparent successes and failures of policy design and execution in broader relief, and also to point to promising future directions. Without this perspective we may become only further ensnarled in the hazardous-waste and toxics policy quagmire, unable to appreciate both how far we have come and where we need to be moving.

Phases One and Three are characterized by broad conceptual approaches that dominate thinking, and new initiatives by policymakers and affected interests. Phase Two, in contrast, is not distinguished by a new approach, but signals the bankruptcy of the initial and most conventional of policy thrusts attempted in Phase One. All three phases reflect fairly conventional thought and action within the context of efforts to manage the adverse environmental and health effects of our industrial economy. Phase Four, by contrast, opens up an entirely new realm of possibilities. The phases can be characterized as follows:

Phase One—optimism about the conventional market approach;
Phase Two—response to frustration with traditional policymaking;
Phase Three—acceptance of broader equity-based approaches;
Phase Four—an integrated approach to the changing imperatives of hazardous-materials management.

These phases overlap, of course; they represent a staggered series of experiences and events, not a smooth or planned sequence. Dif-

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ferential momentum is evident at federal and state levels, between states, between state and local governments, and between public officials and private entrepreneurs. Across the spectrum, however, government policymakers and corporate decisionmakers have all had to move quickly just to stay barely ahead of enormous public pressures for action. In this sense, the phases appear less as a series of waves, more as an ever-intensifying crescendo.

Phase one: conventional market approach

The initial response to the hazardous-waste crisis followed the conventional American pattern. Price and market incentives were supposed to provide the needed signals for effective response by corporate America, including both waste generators and the waste-management industry. Some regulatory controls and EPA/state enforcement actions, it was thought, might be needed to coordinate private action and ensure consistency among firms and localities. It was believed, however, that hazardous wastes were primarily industry's problem to solve—not government's. And private industry, rather than the taxpayers, was expected to pay the bill.

In theory, this was to be accomplished through a few simple incentive changes for business, which were designed to encourage them to incorporate into their thinking, planning, and actions a concern for the ultimate effects of hazardous wastes on public health and safety. The intervention was limited to industrially-generated hazardous wastes, however, and was not thought of as anything more than a means of securing safe waste management. Phase One actions initially focused on the cleanup task. They were designed to generate sufficient private revenues—far beyond those produced by the Superfund tax itself—to cover the enormous costs of cleaning up the abandoned dump sites that had triggered so much public concern.

Restructuring of liability law was the particular instrument chosen. A combination of strict, joint, and several liability provisions in the 1980 Superfund law made larger firms rather than taxpayers responsible for directly financing an overwhelming proportion of these expensive cleanups. For most cleanups stemming from Superfund, the government's costs were later to be repaid by the responsible parties. Presumably these costs would then be passed along throughout the entire economy, since the tax burden was placed primarily on the petroleum and chemical industries. Beyond minute price rises, however, little impact on the operations of American industry was anticipated.

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A second crucial conventional Phase One intervention focused on the new waste stream, which was (and largely still is) going onto the land, both onsite—in pits, ponds, lagoons, and surface impoundments at the businesses where the wastes are generated—and offsite—to commercial landfills, injection wells, and illegal disposal sites. Some state laws have called for the closing of surface impoundments and restricted use of injection wells; RCRA now requires that new multilayered liners be installed at all landfills.

Phase One thinking relied on local governments to employ their traditional land-use authority to approve proposed new hazardous-waste management facilities, which were to be either land-based units with expensive liners or new treatment facilities. All too often, however, project-development proposals were of no avail in the face of substantial marketplace uncertainties, extraordinarily complicated and expensive permitting requirements, huge liability risks, and intense local opposition to siting any facilities associated with hazardous wastes.

Indeed, public concern soon outpaced Phase One's subtle, incremental approach, which still focused on land disposal. Land disposal, though becoming more expensive, was still cheaper than treatment, so wastes continued to go onto the land. A powerful cry arose to ban land disposal by government fiat, primarily in order to ensure the rapid establishment of a new market for the more expensive, but environmentally preferable, treatment technologies. A legislative trend accordingly arose (first in California in 1981-82, then at the federal level in 1984), which called for land disposal to be phased out, with new treatment technologies introduced. However, subsidies for new treatment plants were not provided, nor did government engage directly in developing treatment facilities. Consistent with Phase One thinking, reliance was instead placed explicitly on private-sector response to legislated land-disposal bans.

Here again, the objective was strategic intervention to trigger a major change in the market forces at play in hazardous-waste management, without actually immersing government in the internal life of firms. It was presumed that the private sector would respond to these market incentives and build the needed new, modern facilities. Indeed, some initial efforts were launched in various parts of the country; but only a handful of facilities actually materialized. Conventional land-disposal methods remain largely available today; a clear market for treatment has still not emerged.

In Phase One, accelerated cleanup, better landfills, and then the transition from a land-disposal market to a new treatment market

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dominated the hazardous-waste debate. Some observers began to suggest that higher prices for waste management would induce substantial waste reduction, thereby altering profoundly the capacity projections on which investment decisions depended. Most public policy decisionmakers, though, continued to believe that a few simple nudges to the marketplace would suffice to solve the problem.

Phase two: frustration with traditional policymaking

It soon became obvious that reliance on traditional market incentives alone would not suffice. Many land-disposal operators chose to close their doors rather than comply with the new safety requirements. In response to the 1984 RCRA requirements, over a third of the nation's conventional disposal facilities shut down. The construction of replacement treatment facilities would have been consistent with the desired phaseout of land disposal. However, efforts to site new treatment facilities failed miserably. Hazardous-materials accidents required new interventions to control storage of these chemicals and to provide emergency response capability. In effect, the invisible hand of the market had developed a bad case of arthritis.

Most observers in this phase blamed the NIMBY syndrome: "Not in my back yard." Local opposition—frequently emotional and seemingly irrational—was perceived to be the stumbling block to effective hazardous-waste management. In the face of this siting gridlock, industry turned to state governments for leadership in overcoming growing local opposition to unbridled market-based solutions, especially to proposals for siting modern hazardous-waste landfills. By 1987, thirty-six states had enacted hazardous-waste siting laws, which shift authority from local to state hands; others tried compensation, mediation, and arbitration.

Meanwhile, corporations responded to the Superfund liability scheme not with accelerated cleanups, but with resistance and litigation. This drove the EPA and its state counterparts to further "study" contaminated sites, rather than to undertake aggressive cleanups. When cleanup was attempted, wastes were often simply excavated and trucked to another landfill for redisposal.

Responding to the new liability rules, many larger companies began to withdraw from the offsite hazardous-waste management system, determined to control their potential future liabilities by personally managing their own wastes. While this produced some movement in the desired direction, it also divided the affected parties into the "haves" and "have nots" of toxics-waste management, further complicating the policymaking task. Overall, technical and

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scientific issues proved more complex than had been anticipated; public fears and anger intensified; and the regulatory bureaucracy retreated further into rule-making, remedial investigations, and feasibility studies. Superfund became a super failure.

The remedial situation continued to deteriorate. RCRA's rules on land disposal were ignored; non-compliance was rampant, enforcement nonexistent. The early attempts to ban land disposal, beginning in California in the early 1980s, brought about a hazardous-waste conundrum. In the face of continuing competition from cheaper land-disposal facilities, investment in new treatment plants seemed very risky. Yet without treatment facilities actually in place and operational, those very same landfills could not be closed (due to fear of rampant illegal dumping). Enormous opposition arose to proposals for siting any new hazardous-waste facilities, including treatment plants. One siting attempt after the next was overwhelmed by local opposition. From Massachusetts and New Jersey to Texas and California, siting new facilities seemed almost impossible.

The siting dilemma only partially explains private industry's inability to respond to the market incentives that presumably underlie the land disposal bans. While siting issues gained the greatest attention—leading to demands for state preemption to overwhelm local siting resistance or to designation of "sacrifice areas" (deserts were often a popular remote locale suggested)—the inherent defects of the approach were far deeper than "NIMBY."

Price competition from the cheaper and already existing landfills was one aspect of the problem. The growth in onsite treatment and source reduction would restrict the volumes—by some unknown factor—headed to any new facilities, thus limiting their profitability. All the while, liability for accidents was potentially enormous. And insurance coverage was effectively nonexistent.

In the face of these policy failures and market uncertainties, businesses large and small decided to hunker down to await greater policy clarity and a hoped-for change in public mood. In Phase Two, financial risks were obviously far more important than public health risks in guiding America's response to its toxics crisis. Few entrepreneurial initiatives were apparent anywhere. Thus, despite all the fancy statutory rhetoric, we continued to send nearly all our wastes to inadequate landfills, surface impoundments, and injection wells.

Actions in Phases One and Two represented conventional, legitimate approaches to problem-solving in the United States: reliance on market mechanisms, predominance of local self-determination, primacy of financial calculations, and retreat to authoritative state

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preemption. By about the mid-1980s, however, it was becoming clear that these strategies were failing to meet the challenge of hazardous-waste management. Only then did thinking in some quarters shift toward new approaches based on equity, source reduction, hazardous-materials control, and YIMBY—"Yes, in many back yards."

Phase three: broader equity-based approaches

With a growing recognition that the problem was inherently insoluble at the local level alone, attention turned toward broader jurisdictions, the rationale being that in so doing parochial interests could be balanced against broader societal needs. A few innovative leaders began to search for new ways to incorporate the central participants across traditional state and local jurisdictions, and to form a genuine partnership of public and private interests. This can be seen in southern California's unusual regional effort that brought together key public and private actors beginning in the early 1980s, as well as in today's combination of county and regional planning with extensive public and private involvement underway across the state. Similarly, SARA's Chafee Amendment requires each state to meet its own siting responsibilities, and not to shift the burden onto others. These are all attempts to consolidate hazardous-waste management authority into new hybrid public-private institutions that are capable of broad-based action, yet highly sensitive to local fears. The integration of public and private policymaking represented by these efforts, though rich in promise, has not yet taken hold in many places, however.

Phase Three is best characterized by the various efforts to take toxics policymaking and implementation authority away from both local governments and market directives, lodging it with the states as a new (or greatly expanded) regulatory function. This was done less out of confidence in the states than as an almost knee-jerk reaction to the failure of business to respond aggressively to the hazardous-waste crisis, and to the paralysis of local governments in performing their conventional land-use and siting functions. Presumably, state-level actors would be better situated to balance competing needs and demands, spread risks and benefits more equitably, and provide offsetting compensation to affected communities. At the same time, they would be better insulated politically, hence able to act.

Indeed, this was the promise of those states (such as Massachusetts, Minnesota, and New Jersey) that moved to establish state initiative, guidance, and planning across a range of hazardous-waste and

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toxic areas throughout the early 1980s. Their efforts dovetailed nicely with President Reagan's call for a new federalism.

If such efforts had succeeded, toxics policy might have reached its zenith by the middle of the 1980s, probably taking its place alongside the conventional regulatory approach to the air- and water-pollution controls developed over the past decade. Simply shifting the locus of power to the states, however, was of no avail. The evidence of the past several years proves them no better than local governments at siting new treatment facilities. Furthermore, despite the flurry of new state laws passed during this period, the details of toxics oversight and regulation remained largely in local hands—particularly county health departments and city fire departments. The bottom line had not changed.

Directing attention to the states was theoretically attractive as a way of achieving movement within a framework of equity; it was more likely to overcome parochial resistance. Greater public resources could presumably be made available to facilitate the desired transformation from landfills to treatment. Nevertheless, these state actions came up nearly empty-handed. Even where YIMBY replaced NIMBY as the focus of policymaking—such as in the southern California multi-county regional hazardous-waste planning effort—and where representatives from all sectors could agree on siting criteria, needs assessments, and a cooperative intergovernmental structure, little materialized in the way of new individual treatment facilities or effective waste-management networks.

Before we had really given state preemption or intergovernmental cooperative equity-based siting efforts much of a chance to locate treatment facilities and residuals repositories, an entirely new perspective had entered the equation: source reduction—that is, making fewer wastes. Here an analogy to energy conservation in the 1970s is compelling. Just as American society responded impressively to the energy crisis by reducing demand for electricity and fossil fuels in our homes, factories, and cars, thus lowering the need for more and more power plants and offshore drilling, so are large corporations and small businesses now being asked to alter their production processes to become more efficient, both by using fewer hazardous materials in production and by allowing fewer hazardous materials to be discarded as waste.

Phase four: an integrated approach

The broad outlines of a more comprehensive, viable, and flexible approach are only now becoming apparent. Phase Four begins

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with the recognition that conventional relations between government and business, so long effective at the local level and in state legislative bodies, are incapable of moving the system in the toxics arenas. The only real power today is negative, with the policy process becoming so polarized that almost nothing moves forward. This stalemate is a clear lesson of Phases One and Two. Even the promises of Phase Three—equity, compensation, and state-level control and coordination—have done little to move us much further along. Only with the concurrence of business, environmental, health, and local community interests, it is now clear, can real progress be made.

A hallmark of Phase Four—indeed, its starting point—is the recognition by all the major players of the realities of this policy gridlock, hence of the imperative of cooperation. Furthermore, the cooperation needed is seldom realized within the conventionally adversarial American political process, which in some instances excludes important players, while at other times providing everyone a veto, without ever ensuring that a positive policy decision will be made. New cooperative planning forms emerging in California and other states provide examples of how alternative decision-making processes can work. It is becoming obvious that community-based planning with representation from all sectors can facilitate learning, cooperation, trust, and the setting of realistic goals and strategies for hazardous-materials management among the various participants.

Phase Four also reflects a growing convergence of the key groups on the *goals* of hazardous-materials management. This in itself may signal a turning point away from a half-century's uncritical acceptance of a chemically-driven society. This convergence is a positive outcome of the confrontations characteristic of the previous three phases. The focus of policy has shifted from cradle-to-grave tracking of hazardous wastes, to accounting for all hazardous materials used in business, to fairly widespread adoption of the waste-management hierarchy of source reduction, recycling, treatment, and minimal residual storage and disposal.

Phase Four goes a step further. From the perspective of the environmental and health communities, the time has come to restrict the use of many toxic materials, and even prohibit some of them outright. While zero discharge into the environment may be unrealistic, it at least suggests the direction in which environmentalists are headed. The overwhelming vote for California's Proposition 65 suggests that the public is prepared to follow.

Industry is approaching a similar position—but for different reasons. Business calculations must now incorporate the increasing-

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ly high costs of disposing of whatever materials are used in production, whether in the actual product, or through plant maintenance or waste disposal. These high costs, combined with liability concerns, make source reduction an economic imperative. Concern with the bottom line, then, is leading business in many of the same directions as those in which the environmental and health advocates are moving. Just as we learned with energy conservation in the 1970s, the greatest gains in economics and safety come through increased efficiency, hence reduced usage. Phase Four thinking centers on source reduction not only because of the resultant reduction in waste loads, but also because of the savings of virgin chemical feedstocks.

Some government leaders are also beginning to pursue these objectives—for their own reasons. They see themselves as facilitators of the uneasy new corporate-environmentalist cooperation, helping to mediate disputes and "keep the system honest." They see a need to threaten stronger action against whichever group appears to be diverging too far from the new partnership norm. And they want to quell the public clamor over toxics, not only for the sake of business, but also to ease the growing public pressure stemming from the toxics issue.

Phase Four contains a second major convergence of thought between business and environmental leaders. After a decade and a half of relying on regulatory bureaucracies to prod business into being more environmentally responsible, many environmentalists now appreciate the intrinsic limitations of this approach. Uniform rules promulgated by distant federal agencies leave much to be desired. The incentive for business to comply with such rules is usually low, and the capability of government at federal, state or even local levels to monitor and assure compliance is often minimal; consequently, rather little headway has been made toward toxics control. Business has said this for years. That the environmentalists of the late 1980s have come to agree is the real change.

How, then, to assure business cooperation in reducing toxics? Several approaches are being fashioned within the above context. Use of performance agreements entered into at the community level is one proposal that fits the new understanding. These agreements can set out overall cross-media targets to be tightened periodically. Similarly, EPA's Integrated Environmental Management Projects (IEMP) in Philadelphia, Baltimore, Santa Clara County (California), and Denver offer an interesting model for toxic-risk management. Businesses would have much greater flexibility than they now

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have to meet these geographic performance targets in the most cost-effective manner. Waste minimization and source reduction thus rank high on their profit-driven priority scales. Emissions remaining in one environmental pathway can conceivably be traded for further reductions in another (groundwater for air, for example, or surface water for land). Communities can arrive at these performance targets differently, depending on industrial development and local circumstances. Each area, however, can be required to guard against certain overall levels of toxic risk, thereby providing the tighter levels of health protection demanded by the public, while achieving levels of efficiency desired by industry.

To maintain credibility, of course, business must cooperate fully in developing adequate areawide and individual-company toxics data bases—something already required by law, though not yet a reality. Such data are necessary so that performance by business can be judged by all. Health professionals and environmentalists, for their part, must exercise restraint in their demands for rapidly achieving reduced use of toxics, and show less *naiveté* in their rhetoric about zero risk.

Agreements and contracts

Phase Four will in all likelihood also witness a range of new kinds of agreements concerning individual facilities—for hazardous-waste treatment, for example, or for residuals repositories, or even for industrial facilities using hazardous chemicals. These agreements can be captured formally in enforceable contracts between the owner/operator and the local host community. With a contract in existence, the facility's neighbors will no longer have to rely on government permitting and enforcement, which is notoriously weak. In the past, permit violations have often led to minimal fines ($500 or $1000), as the facility is allowed to operate "temporarily" in violation of its stipulated permit conditions. This has weakened public confidence in the entire permitting and enforcement process.

Under the terms of a facility-operations contract, which is negotiated with the community during the siting process, violations of contract terms can be enforced by the community directly, through traditional breach-of-contract judicial proceedings. A court can be asked to issue a temporary restraining order, requiring the facility to cease operations until it is again able to fully observe its formal contractual obligations. The vagaries of government enforcement will not stand in the way of action. (This kind of privatization scheme is implicit in the philosophy underlying California's Proposition 65.)

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Some firms can be expected to accept even quite stringent Phase Four contract terms. They would be the price for local siting approval of their desired facilities, and could provide a way to guarantee stability over the term of future facility operation; contract terms would not be subject to modification at the whim of a legislature or regulatory agency.

Collaborative community-management plant oversight is another possible approach. Industries wanting to maintain rapport with their host community and to avoid the often-fought community battles need to actively solicit community members to help guide their operations. Given the public temper, building and sustaining trust requires such steps. The work of city planner Michael Elliott of the Georgia Institute of Technology provides the first experimental evidence that communities can make such arrangements work, given the right guidance and a willingness to explore alternatives to conventional regulatory strategies. Indeed, citizens find this far more attractive than offers of offsetting compensation or industries' assurances of state-of-the-art equipment and safety procedures.

Under traditional political practices and the usual standoffishness of business, it is hard to imagine how such performance agreements, facility contracts, and joint oversight panels could be brought about. Yet against the backdrop of the failures and policy gridlock of Phases One, Two, and Three, and given what the leaders of all affected interests learned in Phase Three about cooperating, there is good reason to believe that such innovations are indeed feasible. Examples from California, Washington, and elsewhere suggest that this is already beginning to occur.

Once cooperative planning is set in motion, the door opens to several of the ideas that have surfaced but have gone unrealized throughout Phases One, Two, and Three. The notion of public-private partnerships in the ownership and possibly the operation of residual repositories, or even hazardous-waste treatment facilities, may prove viable. (This strategy has been successful in Europe.) With performance standards rather than extensive regulatory rules to guide business, source-reduction and treatment technologies appropriate to the task will evolve through trial and error in the marketplace, with each of the hundreds of thousands of firms affected eventually finding what works best for it. And new technologies will continue to be developed in response to this need, rather than fix on uniform federal or state regulatory standards (as has occurred, for example, in air pollution control).

A performance-standards and facility-contracts approach, arrived

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at through a more cooperative decision-making process, may still not be sufficient to alleviate the public's fears of the business community. Similarly, the business community's confidence in some of the more outspoken environmentalists and elected officials remains shaky at best. Efforts must begin somewhere, however, and momentum will gradually be created. Reestablishment of the public's trust in business and government in this arena will come only through greater certainty that hazardous wastes and materials will be managed safely; this cannot occur overnight. Short of introducing actions consistent with Phase Four thinking, it is not likely to happen at all.

Attaining policy goals

Phase Four thinking also requires establishing new programs to attain potentially contradictory goals. In recent years, policymakers have struggled to devise a set of incentives and sanctions appropriate to three different policy goals:

- controlling illegal disposal;
- encouraging source reduction;
- providing adequate hazardous-waste treatment and disposal capacity.

High prices for waste treatment (through fees, for example) encourage source reduction, but also stimulate more illegal dumping. Subsidies to treatment facilities to hold down their prices would certainly encourage firms to use these facilities, and thus minimize illegal disposal; but the incentives for waste minimization at the plant level would then disappear.

With these factors in mind, the bottle-bill analogy drawn from solid-waste management is compelling. It may allow us to accomplish all three goals simultaneously. People have been encouraged to recycle bottles and cans simply by charging them a deposit fee, to be rebated when they return the container to a designated location. Litter has declined significantly in states with such programs in place.

Why not apply a similar concept to hazardous-waste management? Generators of hazardous wastes can be charged a fee appropriate to the volume and characteristics of their wastes (perhaps by Standard Industrial Classification [SIC] codes, to simplify administration somewhat). Source reduction—by whatever techniques firms find viable—would lessen their fee directly. For remaining wastes, firms would receive a rebate when their hazardous wastes arrive at the appropriate recycling or treatment facility. (Management of the wastes at an onsite facility should also qualify for receiv-

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ing a rebate.) Although business may see this as nothing more than regulation through the back door, it has the clear virtues of minimal *direct* government intrusion into the firm, and reliance on market mechanisms to produce the most effective treatment system; thus it assures entrepreneurship in source reduction and production modernization. Both are desirable objectives.

With these procedures in place, hazardous-waste generators would have no reason to dispose of their wastes illegally. Incentives for source reduction would be greatly enhanced. Moreover, the market for treatment facilities would be improved in two ways. First, wastes would be diverted from land-disposal to treatment facilities, since the rebates would only be available for treatment; thus we would finally implement the land-disposal bans. Second, wastes would be retained within the defined treatment area (the state, region, or even county), since rebates would not be available for those wastes shipped away from that area for treatment or disposal. This would further encourage investment in the necessary treatment facilities near the source of the problem, and would reinforce existing efforts at equity-based siting.

New Jersey has already begun to consider a variant of this approach, introduced in the legislature by State Senator William Gormley in 1987. Gormley's bill would increase the state's corporate income tax from 9 to 9.5 percent; but firms meeting stipulated source-reduction targets set by the state's Department of Environmental Protection would be exempted from the increase. Any monies collected from firms unable to respond through source reduction would be used to clean up contaminated toxic-waste sites in New Jersey. If restructured with a sliding scale that would encourage source reduction first and treatment second, this bill could provide a Phase Four model for the rest of the country to emulate.

Details of implementing such a new approach will not be resolved easily. How big should the fees and rebates be? Should one opt for the administrative simplicity of a single rate (a .5 percent tax, for example, as in New Jersey), or devise a more complicated scheme based on toxicity, volume, and other waste characteristics? Can fees be based on the expected waste streams from industries, grouped by SIC codes, thereby encouraging firms to do better than the average of their peers? As with any fee scheme, tremendous amounts of reliable data will be needed, both on baseline patterns of waste generation and on changes over time. Enforcement capabilities are needed to ensure accurate reporting and full compliance. Exemptions and credits for onsite recycling and treatment are complicated and will

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offer opportunities for creative maneuvering. Balancing the incentives encouraging source reduction, onsite treatment, and offsite treatment is no trivial matter.

Nevertheless, the fee-and-rebate concept offers great advantages for Phase Four hazardous-waste management. Thousands of firms would be able to respond flexibly to a new set of positive economic incentives. Instead of a command-and-control bureaucracy's issuing permits and conducting sporadic enforcement visits, price incentives would stimulate firms to pursue source reduction, waste minimization, and onsite and offsite treatment of their hazardous wastes. Investments in treatment capacity would face greater market certainty, and illegal disposal would decline markedly. This concept may not be a panacea instantly solving all of America's hazardous-materials woes, but it certainly offers advantages over the present situation.

In sum, Phase Four will be characterized by cross-media thinking; toxics management must take into consideration all sources of emissions and danger. Hazardous materials—as well as hazardous wastes—must be controlled. New ways will be found to bring together traditional adversaries, as well as those who simply have not worked together before, into collaborative toxics planning processes, from the local level up through the highest levels of governance. In many cases, collaborative action will also need to extend down to the actual oversight of plant operations. Conceivably, this may result in some degree of public-private ownership and operation of treatment facilities and residual repositories. This will not happen, of course, without new levels of trust and respect developing on all sides. New innovative economic incentives, like the bottle bill, may be required to assure an appropriate response by thousands of individual firms. Broad policy goals will still need to be agreed upon within the political arena, but specific choices about strategies of attaining those goals must be left in the hands of business and local communities, constrained only by reasonable marketplace incentives and clear regulatory mandates aimed at source reduction and safe toxics management.[1]

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The affirmative action stalemate

NATHAN GLAZER

TEN YEARS AGO the Supreme Court handed down its first decision on affirmative action. It dealt with the case of an applicant who had been denied admission to a medical school, while minority applicants with lesser academic qualifications had been admitted to fill a quota the medical school had set. The Supreme Court ruled, five to four, that quotas were illegal and that the applicant should be admitted. A different five-man majority (only Justice Powell was included in both majorities) also ruled that it was legitimate to take race into account in making admissions decisions. The Court seemed to have come down on both sides of the issue.

While the case was raised over admission to an educational institution, the Court's schizophrenia shaped the many decisions over employment that have come down year after year. Those affected by affirmative action—employers and employees, enforcement agencies and lawyers, applicants to selective programs and good jobs, jobholders threatened with termination—have waited for that final, clear decision that tells us just how to separate the constitutional and the legal in preference for minorities from the unconstitutional and illegal. But the Court has shown a remarkable skillfulness in chopping up the issue into finer and finer pieces—still without drawing that clear line that settles the controversy over affirmative action. Nor, in an eight-justice court, can we expect a conclusion to this Perils-of-Pauline routine in the present session.

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This situation conforms neatly with the conditions usually associated with trench warfare: neither side seems able to advance, though attacks are mounted by both, and neither is weak enough to surrender. Even more remarkable, this stasis has characterized the issue for a dozen years despite a series of kaleidoscopic political changes that many expected to lead either to a rapid reduction in the scope of affirmative action or to its unchallenged institutionalization as the way in which Americans make decisions on employment, promotion, and admission to selective institutions of higher education. Thus we have moved from a Nixon presidency, which might have been expected to oppose affirmative action, but under which its procedures were formalized and extended; to a Ford administration, which tried to take some action to limit affirmative action, but retreated in the face of effective opposition from civil rights organizations; to a Carter administration, which was comfortable with it and in some ways extended it (as in appointments to the federal judiciary); to a Reagan administration, which is hostile to it—and which, as of this writing, seven years after it came into office, and after two electoral victories, presides over affirmative action requirements that are just about identical to those first formulated in the late 1960s and early 1970s.

Court battles

The battles of politics—in presidential elections, in Congress, in the regulatory and administrative agencies—have left the overall structure of affirmative action unchanged through more than four presidential terms, and three transitions of power. Nor, surprisingly, have matters changed much in the federal courts, despite extended and endless battles. Almost every year since the mid-1970s, we have, it seems, awaited with hope or anxiety the determination of some major case by the Supreme Court that would tell us whether affirmative action transgressed the "equal protection of the laws" guaranteed by the Fourteenth Amendment and the apparent commitment to color-blindness of the Civil Rights Act of 1964, or whether, on the contrary, it was a legitimate approach to overcoming the heritage of discrimination and segregation by improving the condition of American blacks. But from the first major affirmative action decision to the most recent decisions of 1986, the Supreme Court has been split, with five-to-four or six-to-three decisions encompassing a range of conflicting positions in both majority and minority. We will, it seems, be living with the issues raised by affirmative action for a long time.

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Policies we may legitimately call "affirmative action" have been undertaken in three crucial areas: jobs and employment, desegregation of public schools, and housing. In each American blacks have suffered from severe deprivation, rooted in racist prejudice, expressed in formal or informal discrimination and segregation. This is the basic underlying ground for affirmative action: it is because the heritage of prejudice and discrimination still weighs heavily on black Americans that the question of affirmative action cannot be expected to find easy resolution.

The term "affirmative action" appears in two places in American law. We find it in the Civil Rights Act of 1964, Title VII, dealing with discrimination in employment: "If the court finds that the respondent has intentionally engaged in or is intentionally engaging in an unlawful employment practice . . . , the court may . . . order such affirmative action as may be appropriate, which may include, but is not limited to, reinstatement or hiring of employees, with or without back pay . . . , or any other equitable relief as the court deems appropriate." This applies to all employers of over fifteen persons. And it appears again in Executive Order 11246, applying to federal contractors, and imposing "affirmative action" on employment and promotion as a condition for receiving federal contracts. There is no similar requirement, either in the Civil Rights Act or in its 1972 revision or elsewhere, for "affirmative action" in admission to institutions of higher learning.[1] Yet the term has been widely applied to the practices of colleges, universities, and professional schools attempting to voluntarily increase minority enrollment. The first major case decided by the Supreme Court dealing with affirmative action arose in the context of higher education, but was widely interpreted as having some application to employment practices. This was the case of Allen Bakke, who sued the University of California because he was denied admission to the Medical School of the University of California at Davis, despite having higher grades than successful minority applicants, and received relief in the complex five-to-four decision in 1978, which simultaneously legitimated practices that could have denied him that admission.

Affirmative action in employment originally meant going beyond nondiscrimination: an employer who discriminated could not only be ordered to desist from his discriminatory practices, but could be

[1] The one exception to this rule are the universities covered by the *Adams* v. *Richardson* litigation: public institutions (primarily in the south), formerly restricted to whites or blacks, that are now required to fulfill affirmative action goals in the recruitment of students.

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required to compensate those against whom he had discriminated, as the references to back pay and reinstatement in the Civil Rights Act make clear. The federal contractor providing goods and services to the federal government was not only bound by the Civil Rights Act, like all other employers, but also, regardless of whether he had ever discriminated, had to go beyond its requirements, by engaging in "affirmative action" to make his employment and promotion opportunities available and accessible to minority applicants.

Controversy and the written law

Affirmative action in employment became controversial only when it went beyond the written language of the Civil Rights Act and the Executive Order, and began to require employers to hire or promote specific numbers of minority applicants or employees. Federal courts and the Equal Employment Opportunity Commission effected this radical extension of the law by interpreting Title VII of the Civil Rights Act of 1964 and 1972, and by the Office of Federal Contract Compliance Programs' enforcement of the Executive Order. "Quotas" or "goals and timetables" became the buzzwords of choice in disputes over the appropriate degree of "affirmative action." Back pay to those who proved discrimination, or requirements for advertising, recruiting, or training by federal contractors, which seem to be what the Civil Rights Act and the Executive Order call for, are not what we have in mind when we speak about the controversy over affirmative action, though they have a better claim to be called affirmative action than court-ordered quotas or agency-required goals and timetables. But under expanded federal regulations and judicial decisions, affirmative action has become a matter of setting statistical goals or quotas by race for employment or promotion. The expectation of color blindness that was paramount in the mid-1960s has been replaced by policies mandating numerical requirements. That is what we mean today by affirmative action.

The critic of quotas or goals and timetables is regularly attacked for opposing affirmative action, even though he may well support the clear intention of the "affirmative action" of Title VII as understood in 1964, as well as the "affirmative action" mandated by the Executive Order of 1965. But there is no point arguing with changes in the meaning of words: whatever the term meant in the 1960s, since the 1970s affirmative action has come to mean quotas and goals and timetables.

In the same way, whatever desegregation of schools meant when the Supreme Court declared the unconstitutionality of segregation

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in 1954, or when Congress defined it in the Civil Rights Act of 1964, desegregation today has come to mean busing. The supporter of busing is thus said to support "desegregation," the opponent of busing is attacked for defending "segregation," even though the latter term originally meant state-ordered or city-ordered segregation of the races. But it has come to mean black concentration in schools, regardless of cause, even if that cause is residential concentration or parental choice.

In the early 1970s, the setting of statistical goals was becoming the favored means of advancing minority representation in employment and desegregating the schools; even the geographical redistribution of minority populations was being proposed. The 1954 decision of the Supreme Court declaring segregation in public schools unconstitutional, endorsed by Congress in the Civil Rights Act of 1964, had been reshaped, through court interpretations, into racial numerical requirements in schools, so that each had to attain such and such a proportion of minority and majority. The facts of residential distribution made it inevitable that such a requirement could be implemented only by transporting students to schools out of their neighborhoods: "busing" thus became the issue in public education that paralleled "affirmative action" in employment. And we also saw efforts in the early 1970s to redistribute the black population through government action, so that it would not be so highly concentrated in the central cities. Concentration led inevitably to black-majority schools, and, many believed, to reduced opportunities for employment. Here, too, the ambition was some numerical goal spelling the end of residential segregation and discrimination, but the policies with which the federal government tried to implement these aims were weak and without effect. The struggle to redistribute the black population through the construction of subsidized housing in white suburbs continues; the impact of such policies has been quite moderate, however, so (unlike affirmative action and busing) they have not become crucial national issues.

An old pattern: immigration and advancement

The mere fact that a kind of stasis prevails, in which affirmative action is neither eliminated nor expanded, is surprising. In 1975, when I published *Affirmative Discrimination*, expansion seemed to be in the cards. If fixed numbers of blacks and other minorities had to be employed or promoted, why would such a requirement not be extended to other groups, since so many could claim to have met prejudice and discrimination? As these measures were implemented,

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what hope was there, since they gave advantage to some groups, that they would ever be abandoned? If busing was implemented in some cities under the lax standards set by the Supreme Court for finding state-sanctioned segregation, why would it not spread to all major cities? Once instituted, how could the assignment of students by race ever end? If these policies became a permanent part of America's polity and society, how could we ever attain the ideal of a color-blind society based on individual rights, at which American liberals had long aimed?

Undergirding these concerns was a conception of American society and the role of race and ethnicity in it. We had seen many groups become part of the United States through immigration, and we had seen each in turn overcoming some degree of discrimination to become integrated into American society. This process did not seem to need the active involvement of government, determining the proper degree of participation of each group in employment and education. It had not happened that way in the past, and there was no reason to think it had to happen that way in the future. What was needed was that barriers to economic activity and education not be imposed, and that they be lifted where they existed. These barriers had been overwhelming for blacks, the one major group in American society (aside from American Indians) that does not owe its origins to free immigration. They had been lifted through the success of the civil rights struggle, and one could expect the economic and educational advancement of blacks that had been evident in the 1960s to continue. If progress could be expected to continue, why were quotas and goals, busing, and numerical targets for enrollment necessary?

I did not expect—nor should anyone have expected—that each group would reflect some national average in occupation and education, because the effects of history, past experiences, and yes, discrimination and segregation would continue to be felt. But the laws against discrimination were powerful and powerfully enforced. Blacks had made great progress in the 1960s without affirmative action. They were becoming prominent in public employment—in which they had more than "their share" of jobs (though not of the best jobs). In other areas, blacks had less than "their share." But how different was this from Irish domination of police forces in the past, or Jewish concentration in small business? If this was the way things had worked in the past, I believed they would work that way in the future; the introduction of affirmative action and busing threatened only to increase racial and ethnic conflict, without achieving

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much for the advancement of blacks. Further, as with many government policies, affirmative action was poorly adapted even to its central objectives, because along with blacks it had targeted American Indians, Asians, and Hispanics; the latter two were mixtures of very different groups, some of which could make no claims to special governmental solicitude and "fair shares" in view of their economic and educational progress.

One fear and one hope were not realized in the dozen years since the publication of *Affirmative Discrimination*. The fear was that affirmative action would spread beyond the initial groups targeted for government concern to include others; that the opportunity of individual Americans would come to depend on their racial and ethnic group; that ethnic and social conflict would escalate as rigid boundaries determined opportunity. This has not happened. The unrealized hope was that the progress of blacks would continue, making it evident that such measures were unnecessary.

Affirmative action has not spread markedly beyond the initial groups defined as its beneficiaries. In some areas (that of set-asides for minorities for government contracts) there has been some moderate expansion—for example, Asian Indians are now classified as minority contractors and may get the benefits of minority set-asides—but on the whole the original line dividing the benefited from all others has held. Within the initial boundaries, affirmative action, particularly as it affects blacks and women, has been institutionalized and has become an accepted part of the American economic scene. It will be very hard to uproot. There is now a serious question whether one should try.

Stalemate

The stability we see is not only one of exhaustion and equally-matched political forces; it is also one of institutionalization—the acceptance of affirmative action as a legitimate norm by employers, even grudgingly by employees. When the Reagan administration began, after some years of quiescence that disappointed those who thought it would move against affirmative action, to finally bestir itself on this issue, it found, to its surprise, that business wanted no change in affirmative action requirements. Cities and counties did not want to be released from the consent decrees requiring goals or quotas in employment and promotion. "Businessmen like to hire by the numbers," announced a September 16, 1985 article in *Fortune*. It points out, accurately, that "so far, in spite of the Administration's rumblings, nothing much has happened that affects the way

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companies run their affirmative action programs. The Labor Department's Office of Federal Contract Compliance Programs, which enforces equal opportunity in companies that do business with the federal government, has gone right on enforcing the rules." (A proposal by the Department of Justice in August 1985 to modify affirmative action requirements for federal contractors ran into opposition within the Administration itself, as the Department of Justice was challenged by the Labor Department. After two years, matters now stand where they have always stood: the rules remain unaltered.) The *New York Times* reported a similar finding on March 3, 1986: big business had no argument with affirmative action requirements, even though small businesses found the rules and the paperwork they required frustrating, excessive, and unrealistic.

Affirmative action had become a norm of employer behavior. As the economic columnist Robert J. Samuelson wrote in the *Washington Post* of July 11, 1984:

> These pressures [the aggressive use of anti-discrimination laws, including affirmative action] have changed the ways labor markets work. Many firms have overhauled personnel policies. Recruitment has been broadened. Tests unrelated to qualifications have been abandoned. Promotions are less informal. When positions become open, they are posted publicly so anyone (not just the boss's favorite) can apply. Formal evaluations have been strengthened so that, when a manager selects one candidate over another (say, a white man over a woman), there are objective criteria.
>
> Equally important, women and blacks increasingly are plugged into the informal information and lobbying networks that remain critical in hiring and promotion decisions.

Even more revealing than commentary and analysis is the sort of pragmatic advice that is handed out to business. Consider for example the warnings given in the "Small Business" column of the *Wall Street Journal* on February 4, 1985:

> What's wrong with asking a woman job applicant these questions: Who takes care of your children when you're at work? What if they get sick? How does your husband feel about your taking business trips? What would he say if a male employee went too?
>
> They may seem like reasonable questions. But in fact they could be construed as biased against women and could embroil the employer in charges of discriminating against female job applicants in violation of federal or state laws because male applicants aren't asked such questions.
>
> Employment laws contain many traps for the unwary. More are being created in court decisions. . . .
>
> Don't ask if someone has ever been arrested. (Because blacks are arrested more than whites, a federal court has held, such a question can be discriminatory against blacks.) However, asking about criminal con-

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victions is usually safe. And not hiring a convicted felon can be justified as a business necessity for such reasons as not being able to bond the person.

Restrictive job requirements can get a company in trouble, too. It may be discriminatory to have an educational barrier to a position (only high school grads need apply) if it can't be justified as necessary to doing the job.

Entrenchment and legitimation

Affirmative action has been institutionalized not only in business but also in government, which does not want to upset the applecart either. Thus, when the Justice Department requested that fifty-one cities, counties, and states operating under court orders and consent decrees requiring quotas or goals consider revising them, the governments involved were not eager to be released from these requirements. They may have fought them initially (ironically, almost all were the result of Justice Department suits under previous administrations), but once the quotas had been set, the state and local governments were willing to live with them.

Affirmative action is so well entrenched that the very government agencies of an administration that opposes quotas and goals report to the Equal Employment Opportunity Commission on their progress toward meeting affirmative action numerical goals! Only three agencies have resisted this requirement: the Department of Justice, the National Endowment for the Humanities, and the Federal Trade Commission. But a hundred others have not.

The institutionalization of affirmative action suggests that even with changes in its composition the Supreme Court will pause before considering the uprooting of processes so well established, involving thousands of employees, affecting the expectations of millions. And the Court is the only potential threat to continuing affirmative action. If the administration of Ronald Reagan has done so little in seven years through administrative action, it is hardly likely it will do more in its remaining time. The "stroke of the pen" that could have radically modified or eliminated the requirement to set hiring and promotion goals by race and sex for tens of thousands of government contractors has not been delivered. To those who find affirmative action an abomination, this is a tragedy. To those who feared its demise, it is a relief. In Congress, a point of view that may well reflect the opinions of a minority always holds sway. The protection of affirmative action is in the hands of the Congressmen who care, reflecting the views of civil rights organizations; most others stay away from the issue. "Civil Rights Lobby Plays Defense But Wins,"

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ran a *Washington Post* headline on June 7, 1986. The *Post*'s summary is correct: the civil rights lobby had blocked the nomination of William Bradford Reynolds, a critic of quotas and goals who was in charge of civil rights for the Justice Deparment, as Associate Attorney General; by leaking a Justice Department plan to change affirmative action requirements it had started an uproar that led the Administration to retreat into silence; it had blocked an Administration nomination to the general counsel of the EEOC; it had blocked a number of lesser judicial appointments. And it has since defeated Robert Bork's nomination to the Supreme Court.

This strength must give one pause; it seems to make nonsense of polls showing that three-quarters of Americans oppose quotas. The success of the civil rights lobby suggests that the actual structure of decision making cannot be deduced from public opinion polls, party platforms, or Congressional opinion. Many players are involved; of these, the Court remains the strongest. But I believe the underlying force that keeps the system of numerical quotas and goals intact is the actual condition of blacks. It is the unrealized hope for black improvement, a hope that could have with reason been entertained in the early 1970s, that sustains affirmative action in employment and promotion, minority preference in admission to institutions of higher education, and busing in a number of major cities.

It is thus the condition of the black population of the United States, not the state of their rights, or the practices that affect them, that lends the strongest support to affirmative action. Other racial and minority groups are covered by affirmative action, but it is not *their* fate or *their* power or *their* claim on the American conscience that motivates this massive machinery. Japanese and Chinese moved ahead despite discrimination. Newer Asian immigrants—Filipinos, Koreans, Vietnamese, Asian Indians—can for the most part expect to do well. The Hispanic Americans are a mixed collection indeed, from the upwardly mobile Cubans to the depressed Puerto Ricans, but they would hardly have had the power to institute affirmative action or to sustain it. (Women are a separate story; their numbers ensure their protection by affirmative action.) It is the blacks who quite rightly affect the conscience of America: they were enslaved and rigidly kept down after emancipation by massive public and private discrimination and prejudice. If they had made rapid progress despite their grim history, we would undoubtedly never have felt the pressures to institute race-conscious policies in employment and discrimination. In some respects, they have made great progress. But the mass of misery characterizing their poor stands as the great argument for affirmative action.

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We have seen a substantial reduction of the gap in earnings between blacks and whites, but we have seen other key measures of black well-being decline; the most important are the great increase in black female-headed families and children born out of wedlock, and the decline in the percentage of black males in the labor force. Many factors have been at work, and some measures of long-term well-being have been matched by other measures of decline. Would matters have been worse in the absence of affirmative action? That case can be made. Would they have been better in its absence? Even that case can be made. Thus Thomas Sowell and others argue that the employer who knows he must be careful in dealing with blacks in regard to promotions, pay, and terminations (because of the threat of charges of discrimination) will more cautiously select his black employees, so that the opportunities of less-skilled blacks will decline. However this argument is decided, it seems clear that the problems that now concern black leaders—teen-age pregnancies, family breakup, drugs, female-headed families, declining participation in the work force—will hardly be solved by affirmative action.

Affirmative action and the black condition

If it is the condition of blacks, imposing itself on the American conscience, that sustains affirmative action, the obvious question is what affirmative action does for that condition.

Although we know much more about this now than we did a dozen years ago, there is still room for argument as to the effect of affirmative action on the black condition. All firms with over fifteen employees are covered by the antidiscrimination provisions of Title VII; all firms with more than one hundred employees must provide EEO-1 forms to the Equal Employment Opportunity Commission listing the numbers of each group they employ at each occupational level. Federal contractors with more than $50,000 in contracts and fifty employees must maintain affirmative action plans and report to the EEOC on how their employees break down by ethnic and racial group and occupation. It should be easy to compare firms covered by affirmative action with those not so covered. That has been done. The results are generally positive but surprisingly varied. Certainly black employment has increased in or shifted to the firms that report to EEOC and are covered by affirmative action. James P. Smith and Finis Welch, authors of *Closing the Gap: Forty Years of Economic Progress for Blacks*, report:

> Black men were 10 percent less likely to work in covered firms in 1966. By 1980, however, they were 20 percent more likely to work in EEOC reporting firms. To put these changes in another way, less than

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half (48 percent) of black male workers were employed in EEOC covered firms in 1966; the figure rose to 60 percent by 1980.

The largest employment changes occurred between 1966 and 1970 (the first four years of reporting). Between those years, there was a 20 percent increase in the number of blacks working in covered firms. The trend continued at a diminished pace until 1974, and then apparently stabilized.

The rapid increase of the period 1966-1970 came *after* the adoption of the Civil Rights Act banning discrimination, but *before* the regulations for affirmative action were firmed up and began to be widely enforced. Nevertheless, affirmative action *per se* has had its effect: within the covered sector, black jobs shifted toward firms with contracts with the federal government. Between 1970 and 1980, black employment in non-federal contractor firms that report to the EEOC grew by 5 percent. Among federal contractors, total black employment expanded by more than 15 percent.

As large as those increases in total employment seem, they pale next to changes within the managerial and professional jobs. Black managers and professionals were half as likely as white managers and professionals to work in covered firms in 1966. By 1980, black managers and professionals were equally likely to be found in covered firms.

Jonathan Leonard's analyses also show a great increase in black employment among federal contractors.

But to concentrate only on the firms covered by affirmative action is to miss something. Smith and Welch add:

Affirmative action resulted in a radical reshuffling of black jobs in the labor force. It shifted black male employment towards EEOC covered firms and industries, and particularly into firms with federal contracts. Reshuffling is the right term, because the mirror image is that black employment in the non-covered sector plummeted.

Despite the increases in the number of blacks employed by EEOC-covered firms and federal contractors, Smith and Welch, looking at the overall gap between black and white earnings for the entire period between 1940 and 1980, find that affirmative action must have had only a slight effect. Blacks improved their position both before affirmative action and after it. Improved education, the migration of blacks from south to north, the narrowing of the difference in earnings between north and south, and the collapse of discrimination in earnings against blacks in the south after the Civil Rights Act of 1966 seem to have played the greatest role in reducing the gap between black and white earnings in recent decades. "The slowly evolving historical forces we have emphasized in this report—education and migration—were the primary determinant of the long-term black economic improvement." At best, write

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Smith and Welch, "affirmative action has marginally altered black wage gains during this long-term period."

Whatever the truth as to the impact of affirmative action (in terms of generating improvements for blacks in some areas, while causing decline in others), it seems clear that uprooting affirmative action would be very difficult. The Reagan administration is as determined an opponent as we are ever likely to see. But after about fifteen years of affirmative action, we have created expectations among blacks and practices in business and government that sustain it. Whatever black doubts about affirmative action there may be (and they do exist), moving against it would appear to black leaders, and to other blacks, as an attack on their interests and their well-being. A dozen years ago affirmative action was newly established, and the recollection of the intention of color blindness was strongly fixed in the minds of liberals and blacks. Today affirmative action looks back on a long history, and the memory of what was intended in 1964 recedes further and further into the distance.

How much affirmative action?

I believe opposition to affirmative action is often founded on a liberal vision as devoted to equality as that of its proponents. But principle often must give way to practicality and prudence: rather than an all-out assault, which it seems must fail, the issue now is to define, as some Supreme Court decisions do, where, when, for whom, and what kind of affirmative action is legitimate. Thus we should consider (though one is aware of the enormous political difficulties involved) eliminating Asians and Hispanics from the affirmative action categories. They would of course retain the protection all Americans have against discrimination on grounds of race, ethnicity, or national background. If such a limitation were possible —it could easily be done administratively—it would begin to send the message that we view affirmative action as a temporary expedient, to be increasingly dispensed with, in various areas, for various groups, over time. We should make clear, even if it is politically impossible to change the affirmative action regulations affecting blacks, that these are to be reviewed at regular intervals to determine their necessity or efficacy. Ideally, we should aim at a society in which individuals are treated without regard to race and ethnicity for purposes of employment, promotion, or admission into selective institutions: this is the kind of society, it is clear, that the *majority* of blacks would like to live in.

No other issue of statistical goal-setting for minority improve-

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ment remains as controversial as that of affirmative action in employment. Busing is maintained in many communities, but it is hard to believe that a new, major busing program can be instituted in any large city. Whites have always opposed it, and blacks by now are disillusioned with its promise, even when it is instituted under the best of circumstances. One has the impression the civil rights leadership continues to demand busing without any conviction that it will get more, or that if it does it will do much for the education of blacks. Just as the theme of self-help becomes the dominant one in discussions of the social problems of blacks, so it becomes increasingly important in discussions of education. It is almost inevitable that this should be so, as the educational systems of our largest cities come increasingly under black leadership.

The housing issue

The campaign for residential integration has been even less successful than that for busing. The *Gautreaux* litigation in Chicago was originally designed to get subsidized housing built in white areas there. It failed in that; and it has had very little success in its later emanation, as an effort to get blacks into subsidized suburban housing. The *Mt. Laurel* litigation in New Jersey also aimed at residential integration by overcoming restraints on subsidized housing in white suburbs. Subsidized housing would make it possible for low-income people to move into higher-income towns, and would also increase the number of blacks in those towns. It has had almost as tortuous a course as the *Gautreaux* litigation, with as modest results. Residential integration does proceed, but on the basis of the economic progress of blacks, not on the basis of the governmentally-required insertion of subsidized housing for low-income and black families into middle-class areas that resist it.

The issue of housing for blacks—like the issue of education—has always been complicated, because two objectives, not necessarily consistent or in harmony, are aimed at: in education, better *and* integrated education; in housing, better *and* integrated housing. In education, the attempt to produce a higher measure of integration in the schools through busing leads to "white flight," increased disorder, disruptions of education, and, in the short run at least, no major improvement. (Admittedly, one may ask whether improvement would be greater if the integration objective was abandoned; but one could answer, why not? Many school systems, after all, are led by blacks, administered by blacks, and strongly committed to improving the education of blacks.) In housing, we have a similar

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conflict. The policy of creating or maintaining a measure of integration is generally implemented by restricting the number of units in a development made available to blacks, in order to reduce white fears of a black majority that would lead them to move out, thus creating a segregated community. Ironically, this issue has recently pitted the Administration's chief opponent of any policy discriminating on the basis of race against a chief critic of goals and quotas in employment, who was appointed by the Administration to the United States Commission on Civil Rights. Assistant Attorney General William Bradford Reynolds has argued in federal court against an arrangement limiting the number of apartments available to blacks in Starrett City in Brooklyn, New York (a plan that was instituted to maintain Starrett City as an integrated development). Morris Abram, a lawyer who first achieved prominence fighting for civil rights in the South, defends Starrett City.

My own position is pragmatic: where integration can be maintained, as it has been in Starrett City, such policies should be allowed to continue. One would be distressed to see a policy of color blindness adhered to so absolutely that examples of residential integration, valuable—and few—as they are, and dependent on color-conscious policies, could not be maintained. But such a policy differs from a quota or goal in employment in a number of key respects: it does not undermine the rights or expectations of the previous tenants—indeed, it maintains them, for they expected and were provided with an integrated community when they moved in; it does not lower the standards for admission, by including, for example, families that would be disruptive or would be unable to pay the rent. Racial quotas in housing thus do not threaten the living environment; indeed, they protect against its deterioration. In employment, on the other hand, goals and quotas are inseparable from attacks on testing and standards.

Lessons

The most important lesson from the study of public policies designed to improve the condition of blacks is that people will resist what government does to improve it directly more than they will any individual's effort to improve his own position. The black in a job finds no problem with his colleagues; but a problem may arise when that job is gained through quotas and goals in a particularly egregious manner. The black family sending its children to a white majority school will find no problem, if it is a neighborhood school, a private school, or a Catholic school; it may have a problem when

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the assignment to a school is made by government against prevalent expectations of how children are assigned to or select schools. The black family in a white majority neighborhood rarely runs into trouble; but a policy designed to spread low-income black families into middle-income areas, black or white, through subsidized housing, does mean trouble. No American can be satisfied with the overall condition of black Americans, despite progress in recent decades; but government actions that aim at statistical goals for minorities are not likely to do better in improving that condition than the work and efforts of blacks in an open and, it is to be hoped, more prosperous society. That government should prevent and punish discrimination is universally accepted by Americans. When government tries to determine how many members of a particular ethnic group should get certain jobs or promotions, attend particular schools, or live in designated areas, however, it runs into widespread opposition.

TO OUR READERS AND CONTRIBUTORS

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Freedom, Virtue, and the Founding Fathers

DAN HIMMELFARB

IN 1983, many conservatives found themselves in the unfamiliar —and no doubt uncomfortable—position of giving an unfavorable review to a book by, of all people, George F. Will. Will's *Statecraft as Soulcraft*[1], insofar as it called into question the very foundations of American democracy, seemed profoundly *un*conservative, and, as such, was bound to annoy.

What is Will's thesis? It is that "liberal democratic societies are ill founded"; America has "defective philosophic premises." They are defective because the Founding Fathers stand squarely in the tradition of modern political thought: they are the intellectual descendants of Machiavelli and Hobbes, who broke with the political philosophies of classical antiquity and the Christian middle ages. As opposed to the ancients (and Christians), for whom government's *raison d'être* is the cultivation of positive human excellences, the moderns have rather low expectations and aims: they replace "moral duties" with "natural rights"; they seek to redirect and moderate —rather than restrain and transcend—the human interests and passions; they prefer the realizable to the ideal. For the moderns, the end of government is the protection of individual liberty rather than the inculcation of public virtue. Thus the "general and perennial dilemma of liberal democratic societies: How do you promote the general, corporate interest in societies founded with explicit and exclusive reference to individual self-interestedness?"

Prima facie, Will's argument has considerable force: the Founders are moderns; the American polity is built upon an edifice of self-interest; the cultivation of virtue is not the primary concern of American governance. As the foremost authority on the political thought of the Founding Fathers, the late Martin Diamond, has written: "[The] removal of government from the business of directly superintending the formation of character is central to the 'new science of politics,' on the basis of which the American republic was largely

[1] George F. Will. *Statecraft as Soulcraft: What Government Does*. Simon & Schuster. 186 pp. $13.95.

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founded." (Madison himself candidly stated that "the regulation of . . . interests forms the principal task of modern legislation.")

There is another reading of the Founders, however, which does reveal a concern for the common good and public virtue. *In Search of the Republic: Public Virtue and the Roots of American Government*[2], by Richard Vetterli and Gary Bryner, both political scientists at Brigham Young University, offers us such a reading. Their book is a painstaking and relentless attempt to correct the view that self-interest is the only foundation of American government. "The modern theses," write the authors, "which show the American Founders turning completely away from virtue and moral theology to allow the entirety of men's interaction to be based solely on the collision of competitive self-interest, energized by an introverted selfishness, are far too narrow in context and theory."

But Vetterli and Bryner are not content merely to refute these theses; their aim is more ambitious: they seek to demonstrate that the concept of virtue is not only to be found in the Founders' philosophy, but is one of its most significant elements. Representative of the authors' general argument are the bold assertions with which the book begins: "The idea of virtue was central to the political thought of the Founders of the American republic. Every body of thought they encountered, every intellectual tradition they consulted, every major theory of republican government by which they were influenced emphasized the importance of personal and public virtue."

Insofar as Vetterli and Bryner offer an alternative to the Founders-as-Hobbesians argument, their book is useful. But overall, it is as flawed as Will's account of the Founding. While Will exaggerates the Founders' reliance on self-interest, Vetterli and Bryner err in the opposite direction: the idea of virtue figures less prominently in the Founders' thought than the authors of *In Search of the Republic* would have their readers believe.

IN THEIR zeal to demonstrate the centrality of virtue to the American political tradition, Vetterli and Bryner at times seem deliberately to ignore evidence that would detract from the strength of their argument. Take *The Federalist*. Though by itself it gives an insufficient account of the Founders' philosophy, any serious and systematic study of the Founders must be informed by a close reading of what is, after all, the principal statement of their political thought. Vetterli and Bryner concede that they merely "place some emphasis" on *The Federalist*. (The work plays a prominent role in just one of *In Search of the Republic*'s eight chapters.) Presumably, the authors de-emphasize it because *The Federalist* is concerned more with the protection of individual liberty than with the cultiva-

[2] Richard Vetterli and Gary Bryner. *In Search of the Republic: Public Virtue and the Roots of American Government*. Rowman & Littlefield. 269 pp. $31.50.

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tion of public virtue, and thus does not serve their thesis. The Founders chose to solve the problem of faction by "controlling its effects" (a modern solution) rather than "removing its causes" (the ancient solution), not only because the latter would be "impracticable" but also because it would "abolish liberty." That America is a liberal polity, that the animating idea of the American Founding was individual liberty, that the primary motivation of the Founding Fathers was to design a scheme of government to safeguard rights—this fundamental aspect of the American political order is given insufficient attention throughout Vetterli and Bryner's book.

While understating the importance of individual liberty to the Founders' thought, *In Search of the Republic* overstates the importance of virtue. Thus its authors argue that the Founders were "deeply religious men," that the "foundation of their modern republican philosophy was based on a belief in God," and that "this republican doctrine . . . [had] an aura of the sacred." However significant the role of religion in the American Founding—and there is no denying its significance—one thing is certain: religion is not the primary foundation of the American republic; self-interest is. The Founding Fathers (many of whom regarded themselves as deists) championed religion not because of its truth but because of its utility. They did not expect religion to spiritually enrich the citizenry; they merely hoped it would act as a check upon the human interests and passions. In general, the Founders shared Tocqueville's belief that the "main business of religions is to purify, control, and restrain [man's] excessive and exclusive taste for well-being."

Vetterli and Bryner fail to make sufficiently clear the intrinsic limitations on public virtue in a modern liberal framework, and do not properly underscore the differences between the virtue of classical antiquity and the more modest virtues of the American Founding. While at times the authors do seem to be attentive to the restricted nature of the modern form of virtue—they speak of a "substantially modified conception of virtue," a "doctrine of voluntary virtue," a "quiet form of virtue," and a "spontaneous virtue"—in general Vetterli and Bryner make too much of this modern virtue. Indeed, the reader is often left with the impression that the Founders' conception of virtue is *superior* to that of the ancients. We are told, for example, that the Founders "went beyond the philosophy of the ancients," that their idea of virtue "became increasingly more inclusive and expansive in scope," that "modern virtue had become something more . . . than classical virtue," and that "by the era of the Founding, the concept of virtue had taken a modern connotation that took it beyond the classical interpretation." Vetterli and Bryner seem almost to be suggesting that the Founders are responsible for a "new and improved" virtue.

But the American Founding does not represent an expansion or extension of the classical enterprise—or even a modification. The Founders did not go "beyond" the philosophy of the ancients; they

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explicitly rejected it. The American republic does not seek to create an elite class of citizens possessing extraordinary human excellences; a decent and law-abiding citizenry is enough. The Founders' political order was made for good—not great—men. In attempting to refute the sort of argument advanced by Will, Vetterli and Bryner overcompensate.

GOING BEYOND Will on the one hand and Vetterli and Bryner on the other, a more thoughtful rendering of the American Founding would reflect its dual nature. Self-interest is indeed the primary foundation of the American republic, but it is not the only one. "While the American Founders turned away from the classic enterprise regarding virtue," says Diamond, "they did not thereby abandon the pursuit of virtue or excellence in all other possible ways."

Take *Federalist* 10, for example, by all estimates the single most important section of the single most important philosophical treatise on the American Founding. In it Madison details his plan to multiply factions, to check interest with interest. *Federalist* 10, for Will, is the very embodiment of the Founders' self-regarding individualism. Yet this short essay contains references to the "common good," the "good of the whole," the "true interest of [the] country," and the "public weal"; to "great and national objects" and "great and aggregate interests." It contains six references to the "public good." Indeed, Madison's very *definition* of "faction" indicates a prior notion of public-spiritedness: "By a faction I understand a number of citizens . . . who are united and actuated by some common impulse of passion, or of interest, adverse to the rights of other citizens, or to the *permanent and aggregate interests of the community*" (emphasis added). Here—in *Federalist* 10 of all places—Madison suggests that the protection of the public interest is one of the ends of government.

We are left with the question: What is the role of public virtue in a polity whose primary foundation is self-interest? At a minimum, the Founders believed that a liberal-democratic political order does require a measure of virtue in the citizenry. In *Federalist* 55 Madison wrote: "As there is a degree of depravity in mankind which requires a certain degree of circumspection and distrust, so there are other qualities in human nature which justify a certain portion of esteem and confidence. Republican government presupposes the existence of these qualities in a higher degree than any other form." At the Constitutional Convention Madison added: "To suppose that any form of government will secure liberty or happiness without any virtue in the people, is a chimerical idea." The Founding Fathers regarded a citizenry that is (at least moderately) virtuous as a precondition of self-government and the *sine qua non* of any sort of liberty worthy of the name.

But a liberal-democratic order not only presupposes virtue; it can also foster it. What are the sources of public virtue in a modern

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republic? One is the American political order itself. The very act of being a citizen in a liberal democracy, of taking part in self-government, helps nourish the "republican virtues": patriotism, public-spiritedness, civic-mindedness, and respect for the law.

Politics is not, however, the only or even the primary means of building character under modern conditions; the Founders relied on economic arrangements as well. Montesquieu, the Founders' intellectual hero, suggested that certain qualities are characteristic of citizens living in a "democracy founded on commerce." What Montesquieu and the Founders had in mind were the "bourgeois virtues": discipline, restraint, self-reliance, industry, frugality, thrift, temperance, moderation, sobriety. Now the notion that economic activity can be consistent with virtue—and, *a fortiori*, that it can actually *foster* virtue—may sound strange to contemporary ears, which are attuned to the more libertine tendencies of twentieth-century capitalism. But it did not sound strange to the Founders: they took for granted that commercial activity would be undergirded by Christian morality in general, and what is called the Protestant ethic in particular. To this extent, a "commercial republic" could be constructive —rather than destructive—of virtue.

And while these "bourgeois virtues" are considerably less demanding than classical "virtue"—the Founders were concerned mainly with the qualities associated with the righteous pursuit of wealth, not with nobler ones—they nonetheless have a moderating effect in a polity founded on self-interest. Tocqueville, who belongs to the same liberal tradition as the Founding Fathers, wrote: "The doctrine of self-interest properly understood . . . by itself cannot make a man virtuous, but its discipline shapes a lot of orderly, temperate, moderate, careful, and self-controlled citizens." While men and women living in a modern republic may not be forcibly elevated or ennobled, they are at least offered certain inducements to a life of decency. "Self-interest properly understood," says Tocqueville, "is not at all a sublime doctrine, but it is clear and definite. It does not attempt to reach great aims, but it does, without too much trouble, achieve all it sets out to do."

A corrective to Will would concede that the Founding Fathers are essentially liberals, that the American polity rests primarily on a foundation of self-interest, and, consequently, that any pursuit of virtue necessarily takes place within this context. *In Search of the Republic* is not that corrective.

THAT Vetterli and Bryner should find it necessary to minimize the Founders' reliance on self-interest, while exaggerating the extent to which the idea of virtue figures in their thought, suggests that the authors are somewhat embarrassed by a political order that quite explicitly rests on a foundation of human interests and passions. Insofar as this feature of American democracy makes them uncomfortable, Vetterli and Bryner are at one with Will. But why

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should it be necessary to apologize for a scheme of government whose existence depends upon the pursuit of self-interest? While the costs may be real, the benefits are by no means negligible. True, the political order created by the Founders does not aim to foster individual excellences of the kind that poets celebrate, but it has been responsible for unprecedented stability, prosperity, and freedom. Add to this the opportunity to attain an existence that is, if not particularly elevated by classical standards, then at least decent, and we are left with an understanding of the American Founding that requires no apologies.

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Bringing Back the Shotgun Wedding

FRANK F. FURSTENBERG, JR.

BACK IN THE late 1950s, at the peak of the baby boom, no one thought that teenage parenthood was a problem in this country. To be sure, lots of adolescents had babies—even more than do today—but almost all were married before or shortly after the pregnancy occurred. As some family sociologists observed at the time, pregnancy was often part of the courtship process, propelling many young couples into marriage at an accelerated pace. Women risked their reputations when they consented to have sex. If they were unlucky enough to get pregnant, their boyfriends were expected to do the honorable thing—which they usually did, whether willingly or reluctantly.

As many as half of all teenage brides in the late 1950s were pregnant when they took their wedding vows. Since nearly half of all women were married by twenty, almost one woman in four started her family as a pregnant teenager. Partly because of the prevalence of shotgun weddings, few babies were born out of wedlock in the late 1950s—at least by today's standards. Less than one-fifth of the births to teens occurred out of wedlock, compared with about three-fifths today. Adolescent parenthood became a public issue only when pregnant teenagers stopped marrying as a matter of course.

Why, then, as Maris Vinovskis and P. Lindsay Chase-Lansdale wondered in "Should We Discourage Teenage Marriage?" (*The Public Interest*, Spring 1987), did teenage marriages decline so rapidly? Should we reinstate the time-honored practice of shotgun weddings, as Vinovskis and Chase-Lansdale seem to suggest? Their argument admittedly has appeal. It is always attractive to discover a private solution to a public problem The evidence they muster seems to indicate that if we could induce teens to marry, we might significantly reduce welfare expenditures while increasing the well-being of children. A closer look at the facts, however, suggests that shotgun weddings are not likely to provide much help to the beleaguered policymakers looking for a solution to the problem of teenage pregnancy or, for that matter, to the teenagers themselves.

THERE ARE two parts to the Vinovskis and Chase-Lansdale argument. First, they tell us that social-science opinion helped to create a climate that discouraged teenage marriage, and possibly

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even contributed to the rise in out-of-wedlock births. If this is true, then changing the *perception* that early marriage is a high-risk strategy for pregnant teens might help promote a less negative attitude about teen marriage. With that aim in mind, they present evidence purporting to demonstrate that teen marriages can benefit young mothers and their offspring, by mitigating the negative consequences of early childbearing.

Vinovskis and Chase-Lansdale argue that the sharp decline in teenage marriages following premarital pregnancy (and therefore the accompanying precipitous rise in out-of-wedlock births in the late 1960s and 1970s) might have been retarded had social-science experts held a less negative opinion of teen marriage. Of course Vinovskis and Chase-Lansdale recognize that the major sources of the decline in early marriage are the diminishing stigma of out-of-wedlock childbearing, the support services for single mothers, the growing recognition of the need for prolonged schooling, and the inability of young men (especially among minorities) to support a separate household. Yet they contend that, independent of these sources, social scientists contributed to "an atmosphere which minimized the responsibility of the father" by questioning the benefits of early marriage. In a curiously phrased rebuke, Vinovskis and Chase-Lansdale assert that social scientists may have generated a bias against marriage because "they did not challenge the view that pregnant teenagers should be discouraged from marrying."

The main evidence supporting this statement is drawn from the testimony of several social scientists at two Congressional hearings, one in 1975 and the other in 1978. According to Vinovskis and Chase-Lansdale, by the late 1970s a consensus had emerged downplaying the potential value of marriage. For example, Wendy Baldwin, one of the nation's leading experts on teenage parenthood, contended that "marriage is not a solution, especially for the very young teenager." We'll examine the experts' conclusions later; but first, we must remember exactly what the experts were saying.

Skepticism about the potential benefits of marriage for pregnant teens did not surface until the 1970s, well after the most dramatic changes began to occur. In 1976, in one of the first books on the consequences of teenage parenthood, I examined the responses of teens to pregnancy and parenthood. In a chapter on marriage, which extensively reviewed the existing literature on teenage marriage, I discovered that few experts had ever thought about the negative side-effects of early marriage. When I (and other researchers) began to raise questions about the desirability of teenage marriage, we were confining our skepticism to the value of marriage for *younger* teens, particularly those who had not yet completed high school. Social scientists did not discourage marriage for adolescents in their *late* teens.

To what extent did the experts' views influence the behavior of teens? The demographic data simply don't support Vinovskis and Chase-Lansdale's claim that by cautioning against early marriage, the experts encouraged out-of-wedlock births. By the time the ex-

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perts were reinterpreting the value of early marriage, young people had *already* concluded that marriage was not a smart move. White youth began to eschew early marriage in the mid-1960s, a decade before the first studies of teenage pregnancy appeared. Black youth began to shy away from marriage even earlier. In fact, as I observed above, the problem of teenage pregnancy first came into public view because growing numbers of teens were electing not to marry when they became pregnant.

Did the pace of change pick up once expert opinion coalesced? A recent report by the National Center for Vital Statistics suggests not. It shows that a somewhat higher proportion of first births to teenagers (26.1 percent vs. 19.1 percent) was legitimated by marriage in 1980 than in 1972. O'Connell and Rogers, drawing on data from census surveys, discover not a decline but rather a leveling-off in the proportion of pregnant teens who elect to marry. In either case, the data do not show that the consensus of professional opinion was affecting teens in any way that would support the trend Vinovskis and Chase-Lansdale predict.

One further piece of demographic evidence leads me to doubt Vinovskis and Chase-Lansdale's rendering of the facts. Beginning in the late 1960s, premaritally pregnant women in their *early twenties* were also rejecting marriage as a "solution." The decline in the percentage of mature women who legitimated their births was almost identical to the pattern observed among teenagers. Whatever was making young women skittish about marriage was also leading more mature women to the same conclusion. In neither case is there any evidence that expert opinion was a factor in their decisions.

STILL, we should not dismiss out of hand the possibility that both the experts and the teens themselves are wrong. Vinovskis and Chase-Lansdale argue that teenage marriages are surprisingly resilient and that marriage protects the economic interests of both women and children. In making their case, they rely heavily on evidence derived from work that my colleagues, J. Brooks-Gunn and S. Philip Morgan, recently completed with me—a follow-up study of some 300 teenage mothers from Baltimore who were first interviewed when they were pregnant in the mid-1960s. There are problems with their selective use of the data from our study, and with their interpretation of its results and of other related research.

Before reviewing the evidence on the long-term effects of marriage based on the recently completed seventeen-year follow-up, let's go back to the initial study, which was done when the young mothers first became pregnant. That was the time when the pregnant teens were deciding whether or not to marry. Why did some young women wed the father of the child while others chose to postpone marriage? At the risk of simplifying a complex story, I would argue that a great deal hinged on the circumstances of the father at the time the pregnancy occurred. Women generally married the father of the child when they were emotionally involved with him

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(not all were) *and* when he was both willing and able to support them and their children. Other considerations such as family pressure, age, and educational aspirations entered into their calculations, but the principal determinant of whether or not they married was the economic and emotional desirability of the father as a marriage partner. Inevitably, the older and more emotionally mature women elected to marry. Marriage was a far less attractive proposition for younger girls whose relations with their boyfriends were less secure (as were their boyfriends' financial prospects). The accounts of two women who elected not to marry the father are typical of what I learned from the interviews:

> He and I definitely broke up. He doesn't have enough education. Marriage with him wouldn't work out.

> Because really I found out if he keeps going the way he is now, there will be no future in marriage for us. He is very unsettled in jobs.

So the women in the Baltimore study were calculating their chances of marital stability and of long-term support. How accurate were their assessments? As Vinovskis and Chase-Lansdale report, about one in three of these early marriages survives—a figure that is close to the national average for black females who marry as teenagers. For whites, the odds are somewhat better. About half the teenage marriages of white women survive for as long as fifteen years. (The risks of dissolution are worse for younger teens and better for older teens.)

These figures provide an imperfect guide to the situation facing women who must make the decision today. Current divorce rates are significantly greater than they were for women who married in the 1960s. Thus, it is likely that the risks of marital disruption are much higher today than they were two decades ago. Nevertheless, let's assume the best, as Vinovskis and Chase-Lansdale do. Should we encourage teenagers to marry on the basis of the statistics?

If one marriage in three survives (as seems to be true for the women in the Baltimore study), isn't this better than what might have happened had the women elected to postpone marriage? After all, married women are better off than female heads of families. As Vinovskis and Chase-Lansdale remind us, "Although a stable marriage for pregnant adolescents is difficult to attain, it offers tangible economic benefits for those who are able to achieve it." Moreover, children clearly derive benefits from the economic and psychological support of having two parents in the home. (Here, too, Vinovskis and Chase-Lansdale cite data from the Baltimore study, as well as other recent research, showing that married women and their children are better off.)

None of these data directly speaks to the issue of whether it is wise for teens to marry. To answer this question it is necessary to compare the life situations of pregnant teens who married with those who waited to wed. Here the results of the seventeen-year follow-up are instructive. We report that women who married within a year after the birth of their child were neither more nor less likely to be

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on welfare seventeen years later. Vinovskis and Chase-Lansdale disregarded this finding, reporting instead that women who were still married at the five-year follow-up did somewhat better in the long run. As we state in our report, this group of women does not include those who had an early divorce—about 40 percent of the women who marry before or shortly after their child is born. In other words, if you can marry and *remain married* you do better on the average. But the corollary finding is that if you marry and *separate*, you do worse on the average.

THE QUESTION remains: Is it better to marry right away or marry later? This question can only be answered by comparing women who married as teenagers with those who waited to wed. I have gone back to the Baltimore data to make this comparison, restricting the analysis to black women, since too few whites remain in the sample to make adequate comparisons. The contrast between the early and later marriers is complicated by the fact that almost all the women who married the fathers of their children married as teenagers, while those who married later, with few exceptions, married men who were not their children's fathers. As I have already mentioned, women who married the fathers tended to marry only when the father was older, better employed, and more emotionally committed to their children. Consequently, we might expect their marriages to be more stable than those of women who waited.

In fact, they are not. Teen marriages are distinctly less stable than marriages that occur after age twenty. (Twenty-three percent vs. 53 percent were intact at the seventeen-year follow-up.) Early marriages, of course, have had more time to break up; but this fact alone does not account for the substantial difference. Because they are also more likely to be currently married, later marriers are somewhat less likely to be on welfare (18 percent vs. 26 percent) and more likely to have family incomes of $25,000 or more (32 percent vs. 26 percent). And, consistent with the view of the experts, later marriers are more likely to have completed high school (77 percent vs. 68 percent) and to have obtained some higher education (38 percent vs. 26 percent). Finally, later marriers have fewer children (2.0 vs. 2.3). Even if we restrict our comparisons to the women who married the fathers of their children, it remains the case that those women who married within a year of the child's birth consistently did slightly worse on the various outcome measures than those who postponed marriage.

Does early marriage pay off? Apparently not—at least if we contrast women who married before or shortly after the birth of their child with those who waited until they were at least twenty. This is not to say that none of the early marriages panned out. As my collaborators and I concluded from examining the results of the seventeen-year follow-up, "Marriage is a high-risk strategy, but stable unions bring huge dividends in terms of higher economic status."

Generally speaking, however, early marriage is a poorer bet

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than waiting to wed. The dissolution rate of early marriages is so high that women who marry in their early teens would do better to stay in school and marry later, even if it means not marrying the father of their child. Moreover, it is highly dubious to extrapolate, as Vinovskis and Chase-Lansdale do, from the Baltimore data or even from census figures to calculate the odds of success among teenagers who marry. Though one in three of the Baltimore women who wed as teenagers was still married a decade and a half later, it does not follow that the odds would be as high for everyone. As we have seen, the women who marry early are a self-selected group: they have the best shot at making it. Their peers who might follow them into early marriage would undoubtedly face still stiffer odds of staying married. And as we have seen, the costs of a wrong decision—namely, divorce—*increase* a woman's chances of economic destitution in later life.

Vinovskis and Chase-Lansdale are right in one respect. Women who marry, whether early or late, do somewhat better than women who never marry. Although they were better educated, had fewer children, and were just as likely to be employed, women who never married were somewhat more likely to be on welfare and poor at the seventeen-year follow-up. They did about as poorly as their peers who got married and subsequently separated. Being a single mother is disadvantageous whether you get there by a marriage that does not work or by not marrying at all.

So I do not take issue with Vinovskis and Chase-Lansdale's contention that it would be desirable to promote stable marriages and greater paternal support for single parents. Unfortunately, their discussion includes no concrete proposals for attaining either objective, and we should recognize that both of these goals have continually eluded policymakers.

I WOULD ADVISE that we concentrate our efforts on trying to ensure that both never-married and formerly-married fathers provide a fair measure of support to their offspring. In two separate studies, I discovered that never-married and formerly-married fathers are about as likely—or in this instance unlikely—to provide economic support to their children: only about a third of the members of either group can be counted on for any kind of regular support. Many policymakers have come to recognize that this is an unacceptably low number; the Child Support Act passed by Congress in 1984 was designed to remedy this situation. And while it is still too early to assess the effects of this sweeping legislation, initial indications suggest that its success is only modest. There is room for a great deal of tightening-up in the system of child-support collection. Most European countries successfully induce fathers to pay child support, as a recent book by Alfred Kahn and Sheila Kammerman demonstrates. Clearly there is some room in this country for improvement through administrative innovations, and perhaps through mobilization of public sentiment.

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On the matter of promoting marriage and marital stability, there is less cause for confidence. For reasons that are not completely understood, marriage rates are dropping in all developed nations in the West. As the rate of marriage declines and marriage age rises, persuading—not to mention pressuring—pregnant teenagers to marry is probably going to become increasingly difficult.

Changing sexual patterns among young people also reduce the chances that they will marry in the event of a pregnancy. Two decades ago, women who initiated sex in their mid- or late teens were usually formally or informally engaged to their sexual partner. Now that sexual activity occurs earlier and marriage later, teenagers are not nearly so likely to expect to marry their first sexual partner (or even their second or third). We have recently been interviewing the children of the women in the Baltimore study. By their mid-teens, almost all are sexually active; about a third of the girls have become pregnant before eighteen. Virtually none of these young women contemplates marriage before her twenties. And the young men who have fathered children, even when they assume a large measure of responsibility for their offspring, are equally unready to commit themselves to marriage. As one nineteen-year-old father in this situation told us:

> I feel as though if I get married right now, I don't know how to deal with it. All the people I know that got married at a young age, they may be still married but they're not together. If I marry a person, I want to spend my whole entire life with that person.

Should (and could) we encourage teenagers like those in the Baltimore study to rethink their decision to defer marriage? We could, for example, create incentives for pregnant teens to marry by providing preferential placement in job-training programs or child care for their offspring if they are willing to wed. I doubt whether such policies would coax many teens into marriage before they feel ready. Furthermore, incentives would have the negative feature of discriminating against single parents who need jobs and child care even more than those who marry in order to attain economic self-sufficiency.

Unless Vinovskis and Chase-Lansdale are able to come up with some plausible proposals to make early marriage more viable, they are left in the untenable position of arguing that rhetoric alone can make a significant difference in reversing powerful demographic trends. I think they are mistaken in their belief that social-scientific opinion had anything to do with the trend away from early marriage among pregnant teens over the past decade. If they want to persuade social scientists to reassess their views on the desirability of early marriage, they must produce more convincing evidence than that offered thus far. I still think the pregnant teens are right: a hasty marriage usually makes a bad situation even worse.

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Hasty Marriages or Hasty Conclusions?

MARIS A. VINOVSKIS &
P. LINDSAY CHASE-LANSDALE

FRANK F. FURSTENBERG has provided thoughtful and provocative comments on our article. We are delighted that such a noted scholar in the field of adolescent pregnancy and childbearing has addressed our argument, despite the fact that differences in our perspectives remain. As we emphasized in our original essay, the topic of teenage marriage has received insufficient attention from policymakers and researchers. As such, it deserves special scrutiny. We therefore welcome Furstenberg's contribution to the debate.

Furstenberg takes issue with our claim that American society has accepted the dramatic rise in out-of-wedlock births over the past two decades. He defines our position as a call for "reinstat[ing] the time-honored practice of shotgun weddings." In fact, our thesis is much broader than that. The purpose of our article was to engage others in a discussion as to why our society has increasingly devalued the role of marriage for pregnant teenagers. We cited widespread changes in marriage rates for all members of our society as one source of this change in attitude, as well as other important factors that may have influenced teen mothers to eschew marriage: these include increased government services to single mothers; waning of the moral stigma associated with out-of-wedlock births; growing recognition of the need for teen mothers to finish high school; and high rates of unemployment among young men, the potential marriage partners.

The thrust of our article was that policymakers and social scientists have actively discouraged marriage as an option for adolescent mothers and have failed to consider the role of the father. We further argued that as out-of-wedlock births have reached unprecedented levels, it is necessary to reexamine policy and research related to adolescent parenthood and marriage. New nationally-based studies reveal that many teen marriages are more resilient than had previously been believed; current policies promote single parenthood for teen mothers in the face of very little systematic information about young fathers and their potential for being providers, husbands, or parents.

FURSTENBERG first criticizes our contention that social scientists may have played a role in discouraging adolescent marriages. As we stated in our article, we do not think that social scientists were a primary cause of the rise in out-of-wedlock births, but rather that they "contributed to an atmosphere which minimized the responsibility of the father." Furstenberg states that demographic trends do not support our assertion, and that "skepticism [among social scientists] about the potential benefits of marriage for pregnant teens did not surface until the 1970s, well after the most dramat-

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ic changes began to occur." Thus he argues that the rise in out-of-wedlock births predated any possible influence of social scientists.

We believe that statistics from the Bureau of the Census over the past two decades clearly contradict Furstenberg's reasoning. Although the rate of out-of-wedlock births did increase from the 1960s to the 1970s, the rates continued to climb substantially in the late 1970s and early 1980s. In 1970, 30 percent of births to women under twenty were out of wedlock, whereas by 1984 this proportion had reached 56 percent. It is also important to distinguish between white and black teens. Furstenberg correctly notes that the rate of out-of-wedlock births among black teens was already high by the 1970s (75 percent). However, by 1984 the rate had climbed to 90 percent. Moreover, the increase among white teens is striking: 20 percent in 1970-1974; 30 percent in 1975-1979; and 42 percent in 1984, more than double the rate of the early 1970s. Thus these data are consistent with our argument that social scientists may have influenced policies and behavior related to adolescent marriage during the last two decades.

Furstenberg recognizes, as we do, that the decision for a pregnant teenager to marry is a difficult one. He particularly emphasizes the emotional involvement of the couple and the ability of the father to support a family as determinants of adolescent marriages. As he puts it, "Women generally married the father of the child when they were emotionally involved with him (not all were) *and* when he was both willing and able to support them and their children." While these two factors undoubtedly play a key role in the decision to marry, we suspect that cultural values may be even more important in determining if and when pregnant teenagers marry.

Changes in the economic prospects of youth and young adults in the United States do not seem to account for much of the large increase in the proportion of out-of-wedlock births among teenagers during the past thirty years. First, the increase in out-of-wedlock adolescent births in the United States is part of a broader trend in Western society (as Furstenberg also acknowledges), rather than something that can be explained by the peculiarities of the changing American labor market. Phillips Cutright and Herbert Smith point out that trends in age-specific out-of-wedlock births generally followed a similar pattern in Australia, England and Wales, Canada, and the United States from 1940 to 1980. Therefore, explanations based mainly upon changes in youth employment opportunities or welfare benefits in specific countries fail to take into account the broader cultural changes that have occurred in developed English-speaking Western countries after World War Two.

Second, Furstenberg appears to underestimate the ability of a youth or young adult to provide financial assistance to the young mother and his child—even among the black population, the most economically disadvantaged. As we pointed out in our original essay, Robert Lerman found that one-half of black absent fathers aged 18 to 22 were employed or in military service in 1979, and an additional 20 percent were in school. Furthermore, the most recent data

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from the Bureau of the Census indicate that black youth unemployment has dropped significantly from a rate of 50 percent to under 35 percent. Since approximately 90 percent of births to black teenagers today are out of wedlock, are we to conclude, using Furstenberg's logic, that 90 percent of black youth and young adults are economically incapable of providing financial support? This seems highly unlikely. Instead, we are witnessing a major shift in cultural attitudes regarding premarital pregnancy in our society—a shift that now allows many young men to evade their responsibilities to their adolescent girlfriends and their own offspring.

Furstenberg emphasizes the instability of teenage marriages—especially in view of the fact that current divorce rates are higher than they were in the late 1960s when his original Baltimore study was initiated. Again, we agree that teenagers would be wise to postpone childbearing and marriage until their twenties. But if an adolescent is pregnant and plans to keep her baby, the chances of her marriage surviving today are probably higher than Furstenberg implies. As we noted in our original article, Martin O'Connell and Carolyn Rogers, using data from the Current Population Surveys of the Census Bureau in 1980 and 1982, found that while teenage marriages were twice as likely as adult marriages to be disrupted within the first five years, 76 percent of women who married between the ages of 15 and 17, and 85 percent of those who married at 18 or 19, were still married five years later. Thus, teenage marriages do not appear to be doomed to fail as often as Furstenberg would have us believe.

FURSTENBERG correctly points out that we draw upon his Baltimore study to argue that if pregnant adolescents marry and remain married, their chances for economic success are much better than those of adolescents who do not marry or who marry and divorce. He presents some new data from this important study in order to demonstrate that early marriages are less stable and result in a higher incidence of welfare dependence than later marriages.

While his new data are interesting, they are not statistically convincing in their present form. The differences he cites between early and late marriages are usually so small that one wonders if they are even statistically significant, given the small subsample of individuals who married. In addition, when Furstenberg further subdivides that subsample to analyze only the women who married the father of the child, the number of cases becomes even smaller. Furthermore, all of his comparisons are simply differences between those who married early and those who married later, with no attempt to control statistically for the influence of other factors that may help to account for the observed differences. Therefore, we believe that it is premature for Furstenberg to draw such definitive conclusions from his data before subjecting them to the type of rigorous multivariate statistical analysis he employed so effectively in his recent book with J. Brooks-Gunn and S. Philip Morgan.

Even if Furstenberg's preliminary distinction between early and

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late marriage among his Baltimore sample survives closer statistical scrutiny, one wonders to what extent we can extrapolate from this sample of an urban black population to the entire teenage population. As we said in our original article, there are reasons to suspect that marriages among white teenagers that occur before the birth of a child may be more stable than those that begin afterwards. Steven McLaughlin and his associates found that among white teenage mothers, roughly three-quarters of those who married prior to childbirth were still married ten years later, while less than one-fourth of those who married after childbirth were still married. Apparently the timing of marriage among black teenage mothers does not affect marital stability: 50 percent of those who married before childbirth and 60 percent of those who married afterward were still married ten years later. While the size of this differential between white and black mothers was reduced when the most recent cohorts of white teenage mothers were examined, this study indicates that the experiences of black and white teenagers may be quite different.

It seems reasonable to recommend that adolescent mothers remain single so that they can complete their education and find suitable husbands; but what are the practical implications of such a policy? Who is going to care for the young child while the adolescent mother returns to school? In the Baltimore study of the late 1960s, grandmothers frequently took care of the young children while the unmarried adolescent mothers attended school. But is this a realistic option for most teenage mothers today? As we stated in the original article, many of the grandmothers in urban areas today are already in the labor force themselves, and are unable or unwilling to stay home to care for their daughter's child. To stay home to care for the grandchild often means that the grandmother must give up gainful employment. When the teenage mother is older and begins looking for a husband, how easy will it be for her to find someone suitable? And what about the effects of single parenting on the development of the child? According to the Baltimore study, five-year-old children whose mothers were unmarried were significantly less academically prepared than those whose mothers were married. Similarly, Kellam's study found that the children of married teen mothers were rated higher in school adjustment by their first-grade teachers than were those of unmarried teen mothers. In other words, before we advise pregnant teenagers not to marry, we should address some of these broader questions.

Despite the fact that child-support enforcement has recently received substantial media attention and policy reformulation, surprisingly little effort has been made to require absent fathers of babies born to teenagers to provide financial assistance to their children. In the concluding chapter of the excellent book written by Furstenberg and his colleagues (*Adolescent Motherhood in Later Life*), for example, the authors discuss in some detail the policy implications of their Baltimore study; but they make no mention of the need to compel absent fathers, if necessary, to provide financial

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support for their children. Indeed, child support is not a major focus of that book. Therefore, it is heartening that Furstenberg advises "that we concentrate our efforts on trying to ensure that both never-married and formerly-married fathers provide a fair measure of support to their offspring."

As we argued in our original article, fathers have a financial responsibility to support their children. While their initial contribution might be only a small token weekly payment, the amount of their support will probably increase substantially over the next eighteen years as their own incomes increase. We reiterate our original conclusion that "in a society that claims that children are the future, one must question why a young man's financial responsibility toward his children is open to debate".

BUT PROVIDING financial support for one's offspring is not all that is involved in being a responsible parent. We believe that the father has an obligation to provide emotional support as well. In many situations (though not all), that responsibility will be easier to discharge within the context of a stable marriage.

We are not arguing that every pregnant teenager who plans to keep her baby should get married. In some situations, obviously, the father is unlikely to be a responsible husband. Yet marriage is a viable option for many pregnant teenagers even under the present difficult circumstances, and, unlike Furstenberg, we are quite willing to argue for private and public assistance to these young couples. It is ironic that one of the central conclusions of the seventeen-year follow-up study of adolescent mothers conducted by Furstenberg and his associates is that "an important route to economic security is marriage, more precisely, stable marriage." A logical policy implication is intervention to assist young couples in managing the transition to parenthood and in strengthening or maintaining their marriage over time. Although research and intervention along these lines for older middle-class couples is currently being conducted by Philip and Carolyn Pape Cowan at the University of California at Berkeley, we know of no such endeavors for teen parents.

While one can imagine societies in which children are raised entirely by their mothers, we believe that in the United States today it is still desirable for children to be raised by both parents, if possible. In any case, and regardless of one's personal attitude toward marriage, from a research perspective it is too early to conclude, as Furstenberg does, that we should discourage pregnant teenagers from marrying.

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